Transport Canada
Departmental Performance Report
2007-2008

The Honourable John Baird, P.C., M.P.
Minister of Transport, Infrastructure and Communities

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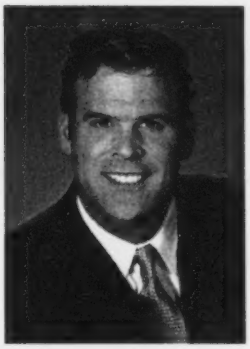
SECTION I – OVERVIEW

1.1 Minister's Message



I am pleased to present Transport Canada's Departmental Performance Report for 2007-08. It describes how the department supports a stronger economy, ensures a secure and safe transportation system and works towards a cleaner environment.

Canada needs seamless and strategic connections among marine, rail, road and air transportation networks to compete in today's global economy. That is why the new *National Policy Framework for Strategic Gateways and Trade Corridors*, a key element of the $33 billion *Building Canada* infrastructure plan, now guides the development of trade-related transportation infrastructure. We are making real progress on the Asia-Pacific Gateway and Corridor Initiative, the Ontario-Quebec Continental Gateway and Trade Corridor, and the Atlantic Gateway.

Canada is a world leader in national transportation system security and safety. For example, in 2007-08, Transport Canada's $80 million *Transit-Secure* program enhanced passenger rail security and urban transit security across Canada. We also continued to work with industry to streamline regulations and build on Transport Canada's safety and security actions by implementing transportation safety management systems and security management systems that enhance performance and protect Canadians.

The Government of Canada's commitment to protect the environment and tackle climate change includes reducing greenhouse gas emissions by 20 per cent from 2006 levels, by 2020. This year, the government announced a plan to regulate fuel efficiency for new cars and light-duty trucks under the *Motor Vehicle Consumption Standards Act*, beginning with 2011 models. Transport Canada is proud to contribute to this effort through its *ecoTRANSPORT* initiatives.

This report describes how, in 2007-08, Transport Canada delivered transportation policies, regulatory initiatives and programs that create economic opportunities, improve security, increase safety and protect the environment.

I am proud of the department's achievements, which deliver real results for Canadians.

The Honourable John Baird, P.C., M.P.
Minister of Transport, Infrastructure and Communities

1.2 Management Representation Statement

I submit for tabling in Parliament, the 2007-2008 **Departmental Performance Report** for TRANSPORT CANADA.

This document has been prepared based on the reporting principles contained in the **Guide for the Preparation of Part III of the 2007-08 Estimates:**

Reports on Plans and Priorities and Departmental Performance Reports:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's approved Strategic Outcomes and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

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Louis Ranger
Deputy Minister of Transport, Infrastructure and Communities

1.3 Transport Canada at a Glance

1.3.1 Mandate

From the opening of the continent to the construction of railways, ports, airports, the Seaway and the Trans-Canada Highway, transportation has provided the essential links that bind the country together: it has been the key to building Canada. For the first hundred years of confederation, the federal role was to build, maintain, subsidize and regulate the infrastructure and services needed to meet the needs of a fledgling nation. But needs evolved with new economic imperatives and this led to divestiture and commercialization of many ports and airports in 1996. Managing change in the transportation sector has become a dominant theme in recent decades, and a key commitment for Transport Canada.

Since February 2006, Transport Canada has formed part of the Transport, Infrastructure and Communities Portfolio. The Portfolio also includes Infrastructure Canada, three agencies operating at arm's length from the department, 16 Crown Corporations (e.g. VIA Rail, Marine Atlantic) and over 40 shared-governance organizations (e.g. Port of Montreal, Vancouver International Airport). The creation of this portfolio has provided an unprecedented opportunity to integrate transportation policies and infrastructure funding programs (e.g. $2.1 billion for gateways and border crossings).

The department's mandate is indeed vast and complex. Transport Canada managed three program activities aligned to three strategic outcomes and administered 60 statutes. These strategic outcomes support a vision of a transportation system that is recognized world-wide as efficient, safe and secure and environmentally sustainable.

To promote an efficient transportation system that contributes to Canada's economic and trade objectives, Transport Canada:

- Establishes marketplace policies to govern the economic behavior of transportation carriers (e.g. rules for arbitrating disputes between shippers and rail carriers);
- Provides policy leadership for gateways and trade corridors and a vast range of transportation infrastructure programs (e.g. $1 billion for the Asia-Pacific Gateway); and
- Stimulates innovation (e.g. promotes the use of state-of-the-art intelligent transportation systems).

To ensure a safe and secure transportation system that contributes to Canada's social development and security objectives, Transport Canada:

- Develops transportation safety regulations and oversees their implementation (e.g. safety at railway crossings);
- Manages programs to support safety-related investments at small airports, protects navigable waterways, and certifies and licenses aircraft, vessels and road vehicles (e.g. certification of child car seats);
- Provides air transport services to support aviation safety oversight work and federal and municipal clients (e.g. maintenance and operation of Coast Guard helicopters).

- Develops policies and programs that respond to emerging security risks and keep Canada competitive (e.g. funding of security equipment at ports);
- Develops transportation security regulations and oversees their implementation by industry (e.g. standards for screening of passengers at airports); and
- Works with international and national partners to advance a shared and effective transportation security agenda (e.g. standards for security plans at ports).

To achieve an environmentally responsible transportation system that contributes to Canada's sustainable development objectives, Transport Canada:

- Establishes policies, regulations and programs to reduce the level of greenhouse gas (GHG) emissions and pollutants from transportation (e.g. new regulations on automobile fuel consumption);
- Protects the aquatic environment from transportation-related pollution sources (e.g. fines ship owners for oil spills); and
- Acts as a responsible environmental steward of the government's transportation assets and activities (e.g. remediation of contaminated sites).

1.3.2 Financial and Human Resources ($ thousands)

To support its mandate, Transport Canada is assigned the following resources:

Planned Spending	Total Authorities	Actual Spending
867,997	1,103,801	835,704

Total Human Resources (Full time equivalents (FTEs))

Planned	Actual	Difference
5,090	5,043	(47)

1.3.3 A Changing Environment

To continue to serve the interests of Canada and Canadians, Transport Canada must increasingly look beyond borders to adapt to global trends; it must also take stock of changes in the government and in the department.

Globalization is transforming Canada's manufacturing processes and trade patterns. New world powers, notably in Asia, present Canada with rich potential markets and new challenges. Canada's reputation as a reliable transportation choice has been hurt by recent congestion problems, labour disruptions and capacity constraints on the West Coast. To be a successful link in **global supply chains**, Canada needs a reliable national transportation system.

For this reason, all levels of government and the private sector need to invest more in infrastructure and new technology, reversing years of under-spending. Canada's transportation system will also need to be adaptable and competitive with others involved in building global supply chains. This means eliminating bottlenecks and improving how the marine, road, rail and air assets work together as effective gateways and trade corridors to global markets.

The tragic events of September 11, 2001, followed by the Madrid and London bombings, led to real changes in Canada's approach to **national security**. Transport Canada had to instantly assume new and broader security responsibilities. The department has relied on its strong links with industry to implement a new security agenda. In this context, the role that transportation plays in preserving Canada's access to the continental market is critical. We must be responsive to the security concerns of our major trading partners. Transport Canada must ensure that security policies and other measures at its borders do not become trade barriers and obstacles.

Climate change and clean air remain a central concern of Canadians. That is why the federal government issued *Turning the Corner*, a comprehensive, long-term plan to drastically reduce GHG emissions. Transportation is responsible for about 25 per cent of GHG emissions in Canada. For this reason, Transport Canada is taking the lead on developing new environmental policy, and regulatory and program initiatives. Transportation policy, programs and regulations must provide a framework that addresses the three pillars of achieving a sustainable transportation system – social, economic and environmental.

Within the government, Advantage Canada is the cornerstone of economic policies and programming. As part of our **competitiveness agenda**, transportation is central to achieving stronger productivity growth. To this end, the department will continue to promote innovation in full partnership with industry, and increasingly with universities.

Advantage Canada identifies modern infrastructure as a key element. As a member of the Transport, Infrastructure and Communities portfolio, the department now plays a central role in our **infrastructure agenda**. With about 75 per cent of the large infrastructure projects likely to be transport-related under the **Building Canada Plan**, Transport Canada is well-placed to better leverage investment decisions.

As the Building Canada Plan is being implemented, there are high expectations for accountability and transparency at Transport Canada. This is also true for each Program Activity within the department. The challenge is to clarify roles, improve control systems, promote better long-term planning, and realign resources. Transport Canada is devoting more time to this end.

Streamlined regulatory approaches and **more harmonized standards** are also an important element of Advantage Canada and the competitiveness agenda. Transport Canada has already started to shift its regulatory approach in transportation safety.

In its effort to maintain high safety standards as the transportation sector is growing, it is continuing to implement a Safety Management System to create a strong safety culture in the industry and make operators more accountable for ensuring that appropriate safety practices are part of their daily operations. The department is also drawing from that experience to shape its approach to security oversight.

Transport Canada also faces the challenges of an ageing workforce. More than two employees in five, and three managers in five, will be eligible to retire within the next ten years.

In managing the risks in the changing environment, the Executive Management Committee at Transport Canada utilizes a recently developed Corporate Risk Profile to identify risk management and mitigation strategies. The profile comprises an essential part of its Risk Management Framework and is a major component of integrated planning and reporting. The corporate risk profile informs departmental decision-making and has guided Transport Canada's internal audit plan and its Integrated Human Resources Plan.

It is the combination of global forces at play and the changes internal to government that set the context for the department's performance and progress towards its strategic outcomes and priorities. Indeed, in future reporting, the department will further clarify its performance results by describing them against a newly developed Program Activity Architecture (PAA). In the future PAA, security will be a separate Strategic Outcome from safety. This reconfigured PAA will help bolster Transport Canada's planning and reporting capabilities. The department began work on an integrated business planning and reporting process that aligns with and links directly to internal services including Human Resources, Information Management, Information Technology, Finance and Communications. A developed Performance Measurement Framework will enable Transport Canada to better measure how its Program Activities contribute to its Strategic Outcomes and to broader government priorities.

1.3.4 Program Activity Architecture and Program Priorities

The 2007-2008 Departmental Performance Report describes performance in relation to commitments outlined in the 2007-2008 Report on Plans and Priorities. The Program Activity Architecture (PAA) includes three Strategic Outcomes, which represent the difference a department intends to make for Canadians, along with program activities that are designed and managed to meet a specific public need.

To effectively carry out the program activities, Transport Canada in 2007-2008 identified nine program priorities that are aligned to its three strategic outcomes:

1. Market-Based Policy Framework 2. Infrastructure, Gateways and Trade Corridors 3. Innovation	1. An efficient transportation system that contributes to Canada's economic growth and trade objectives
4. New Security Policies and Programs 5. Streamlining Regulations 6. Safety and Security Management Systems	2. A safe and secure transportation system that contributes to Canada's social development and security objectives
7. Climate Change and Clean Air 8. Environmental Assessments 9. Environmental Protection and Remediation	3. An environmentally responsible transportation system that contributes to Canada's sustainable development objectives

Transport Canada: Strategic Outcomes in Context

Of the thirteen Government of Canada outcome areas, Transport Canada is aligned with strong economic growth, a fair and secure marketplace, safe and secure communities, and a clean and healthy environment.

GOVERNMENT OF CANADA OUTCOME AREAS		
Strong economic growth **A fair and secure marketplace**	**Safe and Secure communities**	**A clean and healthy environment** **Strong economic growth**
TRANSPORT CANADA STRATEGIC OUTCOMES		
An efficient transportation system	**A Safe and Secure transportation system**	**An environmentally responsible transportation system**
An efficient transportation system that contributes to Canada's economic growth and trade objectives	*A safe and secure transportation system that contributes to Canada's social development and security objectives*	*An environmentally responsible transportation system that contributes to Canada's sustainable development objectives*
PROGRAM ACTIVITIES		
Policies, Programs and Infrastructure in support of a mark-based framework	Policies, Rulemaking, Monitoring and Outreach in support of a safe and secure transportation system	Policies and Programs in support of sustainable development
PROGRAM PRIORITIES		
• Market-based policy framework • Infrastructure, gateways and trade corridors • Innovation	• New security policies and programs • Streamlining regulations • Safety and security management systems	• Climate change and clean air • Environmental assessments • Environmental protection and remediation
ACHIEVEMENTS		
• Amendments to the Canada Transportation Act and the Canada Marine Act • Air Services Agreements • Building Canada Plan • Gateways and Trade Corridors • Public Transit Capital Trust • Inter-City Passenger Rail Service • Transportation Infrastructure Projects • Port Divestiture • Airport Infrastructure • Innovation	• Safety and Security Management Systems • Amendments to the Canada Shipping Act, Railway Safety Act Review • Regulatory Harmonization • Collaboration • Air Cargo Security • Passenger Protect Program • Transit-Secure • Marine Security	• Motor Vehicle Fuel Consumption Act • Voluntary Emission Reduction Agreements • National Aerial Surveillance Program • EcoTRANSPORT Strategy: • EcoMOBILITY • EcoTECHNOLOGY • EcoAUTO • EcoFREIGHT

The following tables link Transport Canada's departmental priorities, performance status and highlights of achievements to Strategic Outcomes and Program Activities.

Strategic Outcome: An efficient transportation system that contributes to Canada's economic growth and trade objectives

Alignment to Government of Canada Outcome Areas:

Strong economic growth / A fair and secure marketplace

Program Activity: *Policies, Programs and Infrastructure in support of a market-based framework*

Planned Spending (thousands) **$101,459** **Actual Spending** (thousands) **$123,998**

Program Priority 1: Market-based policy framework

Expected Results	Performance Status	Highlights of Achievements
Legislative framework that supports free market forces with government intervention targeted to situations where market forces are insufficient	Successfully Met	Amended the Canada Transportation Act, Canada Pilotage Act, Canada Marine Act, and Canada Shipping Act 2001
A competitive and viable Canadian transportation sector	Successfully Met	Extended Aviation War Risk Liability Program Divested 3 ports in QC and NL under Port Divestiture Program Negotiated operating and refurbishment agreements for the federal fleet of grain hopper cars with railways Modernized economic regulation of the air industry, including bilateral air agreements for international air services

Program Priority 2: Infrastructure, gateways and trade corridors

Expected Results	Performance Status	Highlights of Achievements
Long-term sustainable funding and accountability framework for transportation infrastructure	Successfully Met	Established Building Canada Plan, including the Gateways and Border Crossings Fund Developed National Policy Framework for Strategic Gateways and Trade Corridors Implemented Asia-Pacific Gateway and Corridor Initiative Launched Ontario-Quebec Continental Trade Corridor and Atlantic Gateway Advanced Canada-U.S. Ontario-Michigan Border Transportation Partnership Created Vancouver-Fraser Port Authority Monitored Airport Performance Undertook St. Lawrence Seaway Infrastructure Needs Study Developed Marine Atlantic long-term strategy Committed to Via Rail Capital improvements
Increased investment in transportation infrastructure	Successfully Met	Announced Public Transit Capital Trust 2008 provincial/territorial investment plans Established Building Canada Fund Developed Gateways and Border Crossings Fund Concluded Bilateral Infrastructure Framework Agreements with Provincial/Territorial Governments Completed major infrastructure projects under the Canada Strategic Infrastructure Fund, Border Infrastructure Fund and the Strategic Highway Infrastructure Program
Strengthened governance, transparency and accountability	Successfully Met	Streamlined governance procedures for appointments to Port Authorities

Strengthened Canadian competitiveness in international markets	Successfully Met	Brought into force the International Bridges and Tunnels Act Developed Regulations on Maintenance and Repair and Operation and use for international bridges and tunnels. Drafted guidelines for construction, alteration, and sale and transfer of international bridges and tunnels

Program Priority 3: Innovation

Expected Results	Performance Status	Highlights of Achievements
Highly skilled labour force and increased investment in transportation-related R&D, including ITS	Successfully Met	Conducted strategic research and development (R&D) Fostered innovation and skills development
Deployment of ITS technologies to enhance safety, security, efficiency and environmental sustainability of the Canadian transportation system of ITS Use of R&D results to enhance safety, security, efficiency and environmental sustainability of the Canadian transportation system	Successfully Met	Published Transport Canada R&D Annual Report Completed review of Intelligent Transportation Systems National Strategy Completed R&D Projects Released scientific/technical reports

Strategic Outcome: A safe and secure transportation system that contributes to Canada's social development and security objectives

Alignment to Government of Canada Outcome Area: *Safe and secure communities*

Program Activity: *Policies, Rulemaking,, Monitoring and Outreach in support of a safe and secure transportation system*

Planned Spending (thousands) **$641,525** **Actual Spending** (thousands) **$566,177**

Program Priority 4: New security policies and programs

Expected Results	Performance Status	Highlights of Achievements
Greater awareness, understanding cooperation of and compliance with transportation security systems	Successfully Met	Developed multi-modal transportation security strategy Pilot tested Air Cargo Security Measures Established Passenger Protect Program Managed Transit-Secure
Increased stakeholder ability to meet transportation security and emergency preparedness requirements	Successfully Met	Managed Marine Transportation Security Clearance Program Established Marine Security Operations Centres Developed virtual tool box in support of fatigue risk management regulations

Program Priority 5: Smart Regulation

Expected Results	Performance Status	Highlights of Achievements
Increased flexibility and innovation opportunities for industry	Ongoing	Harmonized selected aviation security standards in North America Concluded Memorandum of Cooperation with U.S. on Next Generation Tank Car Harmonized standards for Transportation of Dangerous Goods in tanks Updated alternative arrangements with the U.S. Coast Guard Collaborated with the National Highway Traffic Safety Administration Adopted Global Technical Regulations
Regulations reflecting the needs and concerns of industry and the public	Successfully Met	Received acceptance of approval for tank and container specifications for use in the U.S.

Enhanced international standards and regulations when transporting dangerous goods, enhancing safety without hindering trade	Successfully Met	Received award from the Community of Federal Regulators for Regulatory Excellence demonstrated by the CSA 2001 Launched Railway Safety Act Review Amended Marine Transportation Security Regulations

Program Priority 6: Safety and security management systems: Implementing safety and security management systems (SMS and SeMS) in aviation, rail and marine organizations

Expected Results	Performance Status	Highlights of Achievements
Improved commitment by industry to adopt SMS / SeMS Enhanced awareness and safety culture in industry	Successfully Met	Launched **Moving Forward** in April 2007

Strategic Outcome: An environmentally responsible transportation system that contributes to Canada's sustainable development objectives

Alignment to Government of Canada Outcome Area: *A clean and healthy environment / Strong economic growth*

Program Activity: *Policies and Programs in support of sustainable development*

Planned Spending (thousands) **$125,013** **Actual Spending** (thousands) **$145,529**

Program Priority 7: Climate change and Clear Air

Expected Results	Performance Status	Highlights of Achievements
Increased awareness of sustainable transportation choices and climate change impacts	Successfully Met	Began development of regulations for new motor vehicles and railway operations
Increased ability for the public to make more sustainable transportation choices	Successfully Met	Announced ecoTRANSPORT Strategy programs Funded municipal transportation demand management projects

Reduction of emissions in the transportation sector	Ongoing	Announced ecoTRANSPORT Strategy: • EcoMOBILITY • EcoFREIGHT • EcoTECHNOLOGY for Vehicles programs • EcoAUTO Rebate Program • Freight Technology Demonstration Fund • Freight Technology Incentives Program Urban Transportation Showcase Program

Program Priority 8: Environmental Assessments

Expected Results	Performance Status	Highlights of Achievements
Streamlining and more efficient use of the department resources	Successfully Met	Over 876 environmental assessments underway or completed under the **Canadian Environmental Assessment Act** Reviewed and revised existing tools, and developed and implemented new tools and guidance to increase efficiency in the use of departmental resources
Sustainable development goal is advanced	Successfully Met	Included strategic environmental assessment for departmental proposed policy, plans and programs Offered training to employees

Program Priority 9: Environmental protection and remediation

Expected Results	Performance Status	Highlights of Achievements
Reduced environmental impacts despite a sustained growth of aviation	Successfully Met	Sponsored PARTNER (Partnership for Air Transportation and Noise and Emissions Reduction) Center of Excellence with NASA (National Aeronautics and Space Administration) to expand environmental research capacity in the field of aviation
Reduction of Air Transportation and Emissions	Successfully Met	
Suspected contaminated sites are identified and high-risk sites are remediated/risk managed	Successfully Met	To date 324 contaminated sites in the departmental database have undergone remediation or risk management, 63 sites are being remediated, 113 are under assessment, 46 are suspected and 70 have no action

Reduced frequency of illegal pollution discharges from vessels	Successfully Met	Used National Aerial Surveillance Program to detect ship-source pollutants Number of large offshore oil spills and associated sightings of oiled birds has been reduced despite the growth in the transport of oil and marine shipping
Improved quality of the marine environment	Successfully Met	Developed regulatory improvements aimed at improving the safety of Arctic shipping and the protection of the marine environment
Reduction of toxic locomotive emissions	Successfully Met	Concluded MOU with the Railway Association of Canada aimed at reducing toxic emissions and greenhouse gases from rail locomotives

SECTION II – ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

2.1 Strategic Outcome: An efficient transportation system that contributes to Canada's economic growth and trade objectives

Program Activity	Financial Resources ($ thousands)			Human Resources (Full-time Equivalents)		
	Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
Policies, Programs and Infrastructure in support of a market-based framework	$101,459	$198,063	$123,998	643 FTEs	757 FTEs	114 FTEs

2.1.1 Program Activity: Policies, Programs and Infrastructure in support of a market-based framework

This Program Activity includes the development of transportation policies, legislation, programs and infrastructure support allowing competition and market forces to guide the growth and development of an efficient national transportation system. It is through a strong and healthy marketplace that existing competitors and new entrants continue to innovate and provide new services, meeting current and future transportation needs of Canadians. Transport Canada also administers airport, port, highway, rail, transit, ferry and bridge contribution programs and performs stewardship functions for ports, airports and air navigation system sites, as part of its ongoing commitment to an efficient transportation system.

Achievements

The following are achievements under this Program Activity: Legislation, Air Services Agreements, Building Canada Plan, Gateways and Trade Corridors, Public Transit Capital Trust, Inter-City Passenger Rail Service, Transportation Infrastructure Projects, Port Divestiture, Airports Infrastructure and Innovation.

Legislation

Contributing activities under this Program Activity include establishing marketplace policies to govern the economic behaviour of transportation carriers. Transport Canada has been working on several fronts to support a strong and vigorous marketplace framework for our national transportation system.

During 2007-2008, the department amended the Canada Transportation Act through the following pieces of legislation:

- Bill C-3, **International Bridges and Tunnels Act** allows the federal government to make regulations regarding the efficiency, operations and use of international bridges and tunnels.
- Bill C-11, **Act to amend the Canada Transportation Act and the Railway Safety Act and to make consequential amendments to other Acts**, which contains amendments to the general, air and rail passenger provisions, railway noise and the grain revenue cap, received Royal Assent on June 22, 2007. The amendments to the Canada Transportation Act apply to air and rail modes. They enable consumers to receive clear, transparent information about air services provided in Canada, and authorize the Canadian Transportation Agency to make regulations respecting the advertising of air travel prices in Canada provided by Canadian and foreign airlines. The amendments also formally integrate the complaints function of the former Air Travel Complaints Commissioner into the everyday operations of the Agency.
- Bill C-8, **Act to Amend the Canada Transportation Act (railway transportation)** received Royal Assent on February 28, 2008. The amendments address shipper concerns about rail service and rates while providing regulatory stability to encourage investments in rail service that are required to keep Canadian exporters and importers competitive in international markets.

The department also enhanced the provisions of the following legislation:

- **Canada Marine Act** (CMA). This will ensure that Canada's national ports remain competitive and that they have increased borrowing authorities allowing greater flexibility to respond to investment opportunities. As a result, Canada Port Authorities (CPAs) are better positioned to capitalize on emerging opportunities and support international trade.
- Bill C-4, **Amendments to the Pilotage Act**. This Act provides both the governance structure under which an Authority must operate and the requirement for them to be financially autonomous.

Air Services Agreements
Another way that Transport Canada supports a market-based framework is through the modernization of economic regulation of the air industry. By the end of 2007, Canada had more than 70 bilateral air transport agreements or arrangements for international air services in place. In addition to concluding eight new or expanded bilateral air services agreements in 2007, negotiations were initiated towards the conclusion of a comprehensive air services agreement with the European Union, consistent with Canada's 'Blue Sky' international air policy, and further to the announcement by the Prime Minister and EU leaders during the Canada-EU Summit in June 2007.

Building Canada Plan
Another key activity under this Program Activity involves the development and implementation of policy frameworks and funding programs to guide strategic investments in transportation infrastructure to enhance the efficiency and reliability of the national transportation system by reducing bottlenecks and congestion.

The Government of Canada's Building Canada Plan (BCP), which was announced in November 2007 provides $33 billion for infrastructure investments between 2007 and 2014 through various funding mechanisms, including the Provincial/Territorial (P/T) Base Funding, the Gas Tax Fund (GTF), the GST rebate, the Building Canada Fund (BCF), the Gateways and Border Crossings Fund (GBCF), the Asia-Pacific Gateway and Corridor Initiative (APGCI) and Public-Private Partnership (P3) Fund.

Transport Canada is responsible for the management and implementation of the GBCF and the APGCI; PPP Canada Inc. has responsibility for the development and implementation of the P3 Fund; and Infrastructure Canada is responsible for the management and implementation of the P/T Base funding, the GTF and the BCF.

Throughout 2007-2008, Transport Canada worked closely with Infrastructure Canada on the development of the policy framework and program parameters for the BCF and P/T Base Funding, particularly for eligible transportation categories, as well as the Infrastructure Framework Agreements that govern the management and implementation of the Building Canada Plan. Transport Canada and Infrastructure Canada worked collaboratively with the provinces/territories to negotiate the Framework Agreements and to establish funding priorities under Building Canada. By the end of March 2008, seven bilateral Infrastructure Framework Agreements were signed with provincial/territorial governments. These agreements will ensure an integrated and coordinated approach to federal investments in infrastructure within each jurisdiction.

The resulting projects, in such areas as local roads, the core National Highway System, public transit, shortline railways, regional/local airports, and short sea shipping will improve the efficiency and reliability of Canada's transportation system by expanding capacity that reduces bottlenecks and congestion and rehabilitating existing assets to improve their long-term sustainability. Some of the priority investments that have been announced include: $622 million from the BCF for the Toronto York-Spadina Subway Extension project; $64.2 million for capacity upgrades and safety improvements on the Trans-Canada Highway in the Kicking Horse Pass in British Columbia; and $25 million for the construction of the first phase of the 16-kilometre twinning project on Highway 104 outside Antigonish in Nova Scotia. For more information on Building Canada, visit: http://www.buildingcanada-chantierscanada.gc.ca/index-eng.html.

Gateways and Trade Corridors

As part of Building Canada and modelled on the successful $1 billion Asia-Pacific Gateway and Corridor Initiative, Transport Canada announced the **National Policy Framework on Strategic Gateways and Trade Corridors** and developed the policy framework and program parameters for the new $2.1 billion **Gateways and Border Crossings Fund**. To ensure that federal funding from the GBCF is directed in a strategic and coherent manner, the **National Policy Framework** will help guide investment decisions, responding to unique geographic, trade and transportation opportunities in key regions. For additional information, visit: http://www.tc.gc.ca/GatewayConnects/NationalPolicyFramework/nationalpolicy.html.

Consistent with the **National Policy Framework**, in 2007, Transport Canada entered into Memoranda of Understanding (MOUs) with Ontario and Quebec for the development of an **Ontario-Quebec Continental Gateway and Trade Corridor strategy**, and with the Atlantic provinces for the development of an **Atlantic Gateway** strategy. The goal of these partnerships is to build upon world-class transportation systems that are key facilitators of international trade and economic growth and prosperity. The MOUs commit all parties to work collaboratively with the private sector and other stakeholders to identify key policy, regulatory, operational and marketing measures as well strategic infrastructure investments that will strengthen Canada's competitive position in the rapidly evolving global marketplace. For more information, visit: http://www.continentalgateway.ca/index2.html and http://www.tc.gc.ca/GatewayConnects/Atlantic/AtlanticGateway.html.

To support these collaborative policy and infrastructure initiatives, the **GBCF** is a merit-based fund that will invest in nationally significant projects supporting international trade and integrated supply chains to facilitate the flow of goods and people between Canada and the rest of the world. As a demonstration of its commitment to the development of these gateway initiatives, the Government of Canada dedicated an initial $400 million for the new access road to the new Windsor-Detroit bridge crossing. **The Canada-U.S.-Ontario-Michigan Border Transportation Partnership** has continued to advance the development of a long-term strategy to improve the movement of people, goods and services across the busiest Canada-U.S. border crossing between Windsor and Detroit, and is in the final stage of the environmental assessment process. For additional information, visit http://www.continentalgateway.ca/windsor.html.

In addition to the development of these two new gateway and corridor initiatives, Transport Canada made significant progress in the implementation of the APGCI which was first announced by the Prime Minister in October 2006. By the end of fiscal year 2007-2008, the Government of Canada, in partnership with all four western provinces and various stakeholders, announced infrastructure projects worth over $2.3 billion, including federal contributions of over $800 million. These projects include road/rail grade separations and improved access to ports or inter-modal facilities to promote more efficient and seamless connections between the various modes of transportation. For descriptions of specific APGCI projects, see: http://www.tc.gc.ca/CanadasGateways/APGCI/projects.html.

Another notable achievement closely related to the APGCI, was the amalgamation of the three Canadian Port Authorities (CPAs) in the British Columbia Lower mainland: Fraser River, North Fraser and Vancouver. The new port is named the Vancouver Fraser Port Authority and re-branded as **Port Metro Vancouver**. Amalgamation is seen as a way for the CPAs to handle changing economic conditions and concomitant impacts on the transportation system thereby operating more efficiently.

Considerable efforts have been undertaken to advance international dimensions of the Gateway strategies. Transport Canada, together with the Department of Foreign Affairs and International Trade, organized stakeholder missions to the United States and a ministerial-level air services mission to China.

A range of efforts has also fostered cooperation with Canadian public and private organizations with their Chinese counterparts. Transport Canada and the Atlantic Canada Opportunities Agency organized a ministerial-led Atlantic Gateway mission to India to develop opportunities for global commerce through Canada's Atlantic Gateway. All of these initiatives are part of a long-term effort to increase trade.

Public Transit Capital Trust
Budget 2008 committed $500 million in funding support for capital investments in public transit under the Public Transit Capital Trust 2008, as a means to reduce traffic congestion and greenhouse gas and other emissions. To implement this Trust, Transport Canada worked expeditiously with all the provinces and territories to ensure that plans for specific investments in public transit were announced publicly by March 31, 2008.

Inter-City Passenger Rail Service
The Government of Canada also demonstrated its continuing commitment to the revitalization of inter-city passenger rail services by announcing, in October 2007, a five-year $691.9 million funding commitment for VIA Rail Canada. This funding will improve the sustainability and reliability of passenger rail services in Canada and provide more frequent, faster, cleaner and safer services along the Quebec City-Windsor Corridor.

Transportation Infrastructure Projects
In 2007-2008, Transport Canada continued to implement infrastructure projects totaling $4.5 billion and leveraging $12 billion in infrastructure improvements under funding programs created prior to the BCP, such as the **Canada Strategic Infrastructure Fund** (CSIF), **Border Infrastructure Fund** (BIF), the **Outaouais Road Agreement** and the **Strategic Highway Infrastructure Fund** (SHIP).

- Under **CSIF**, Transport Canada has been delivering large-scale projects of major federal and regional significance in areas that are vital to sustaining economic growth and enhancing the quality of life of Canadians.
- Border infrastructure is critical to Canada's growing economic and trade relationship with the United States. Under the $600 million BIF, Transport Canada delivers projects that directly benefit Canadians by reducing congestion, enhancing infrastructure capacity, and enhancing safety and security at border crossings.
- The **Outaouais Road Agreement** contributes to highway improvements in the province of Quebec to enhance overall efficiency, promote safety, and encourage regional and industrial development and tourism.
- **SHIP** was created to renew and enhance Canada's highway infrastructure, focusing on projects of national scope.

Port Divestiture
The Port Divestiture Program (PDP) serves to increase the efficiency of the transportation system while also reducing costs to taxpayers.

By transferring the ownership of ports to local interests, the new owners are able to make operational decisions in a manner more responsive to local needs with lower costs and better service, thus improving the efficiency of the transportation system. Since the inception of the program, 472 (85 per cent) of the eligible ports have been divested at a saving of $531 million to Canadian taxpayers. The program was extended until 2012 to facilitate the further divestiture of the remaining regional/local and remote ports.

The evaluation and audit results of the Port Divestiture Program concluded that the program was consistent with the department's overall strategic outcomes. For more information on port divestiture, visit:
http://www.tc.gc.ca/programs/ports/transferinventory.htm.

Airport Infrastructure
An agreement on airport rent was reached with the Greater Toronto Airports Authority. This was the last step in implementing the Airport Rent Policy, which aims for a balance between a fair return to taxpayers and the financial viability and competitiveness of the air industry.

The Airports Capital Assistance Program (ACAP) plays an important role in contributing to efficient transportation by providing funding assistance for projects at non-federal airports which maintain or increase safety, extend the life of airport assets, reduce operating costs and increase the use of environmentally sustainable practices. In 2007-2008, ACAP assisted 31 airports by financing 33 projects, all of which were directly related to air safety. Announcements under the program totaled more than $43.5 million.

Innovation
Innovative research and development projects included Intelligent Transportation Systems (ITS). In this past year, funding provided by the ITS component of the Strategic Highway Infrastructure Program permitted work to be undertaken on some 20 projects on ITS Research and Development. These projects included technology for improving the efficiency of commercial vehicle operations, a program of research studies at three University Centres of Excellence for developing ITS expertise and skills capacity, and projects relating to road weather forecasting, traveler information, and transit research initiatives. For more information, see:
http://www.its-sti.gc.ca/en/menu.htm.

Transport Canada took an innovative approach collaborating with the provinces and territories assessing the full costs of transportation in Canada. This multi-year, multi-phase project yielded a new analytical tool that provides policy-makers with a detailed valuation of the financial and social costs of all modes of transportation in Canada. A synthesis report entitled **Estimates of the Full Costs of Transportation in Canada** provides an overview of the project and its results. See the following website:
http://www.tc.gc.ca/pol/EN/aca/fci/menu.htm.

The department played a lead role in the federal/provincial/territorial Skills Task Force. The Skills Task Force submitted a Compendium of Successful Skills Initiatives, a report on Trends and Patterns in Skills and Labour Shortages, and a Diagnostic of Transportation Skills Development Issues in Canada to the Council of Deputy Ministers Responsible for Transportation and Highway Safety. Both the Council and the department have distributed these reports to stakeholders to promote cooperation in implementing the recommendations of the reports.

Performance Measurement

Efficiency in the transportation system may be measured by total factor productivity, transportation prices, output and the financial performance of selected carriers or groups of carriers.

Transport Canada develops a total factor productivity indicator for each mode taking into consideration factors such as labour, fuel and capital expenditures. Total factor productivity (TFP) indicators are derived using data either collected by Transport Canada or provided by Statistics Canada or other reliable sources. The latest data show that, in 2006, Transport Canada's TFP measure increased by 2.5 per cent in the rail freight industry (Class I) because of labour productivity gains, but decreased by 1.9 per cent in the airline industry due to factors such as rising fuel prices and aging fleets. However, TFP increased by 9.6 per cent in the previous year in the airline industry. TFP was up by 0.1 per cent for VIA Rail mainly the result of increased productivity of fuel, but down by 0.5 per cent for public transit due to capital and fuel productivity declines. Productivity estimates for the trucking and the marine sectors could not be developed due to data issues.

TFP in transport has largely outpaced business sector productivity over the past twenty years. Industry deregulation and technological advances have largely contributed to those gains. However, system congestion and urban sprawl threatens to undermine productivity gains achieved in Canada's transport sector over the years. While business sector TFP has been virtually flat over that period of time, rail freight productivity has doubled while air carrier, intercity passenger rail and trucking productivity have increased by nearly 50 per cent over a 20-year period.

In its **Transportation in Canada 2007** Annual Report (http://www.tc.gc.ca/pol/en/Report/anre2007/index.html), Transport Canada notes that rail freight prices increased by 3.5 per cent in 2006 compared to 2005. Other sectors also saw price increases: prices increased by 3.6 per cent for air, by 5.5 per cent at VIA Rail, and by 1.4 per cent for public transit. Increasing fuel costs continue to put pressure on prices charged to passengers and shippers. Despite the price increases, output (generally measured in terms of passenger-kilometres or tonne-kilometres) also mostly increased in 2006. Output increased by 3.6 per cent in the rail freight industry, 5.3 per cent in the air industry, 3.2 per cent for public transit. However, output declined by 1.3 per cent for VIA Rail.

The financial performance of selected carriers or groups of carriers is also being monitored by Transport Canada, which derives an operating ratio or a cost recovery ratio (in the case of publicly assisted carriers such as VIA Rail and transit authorities) for those transportation undertakings it monitors. This information is available from the statistical Addendum to the Annual Report, which may be consulted at http://www.tc.gc.ca/pol/en/report/anre2007/9_Addendum.html.

Benefits to Canadians

Working towards an efficient transportation system that contributes to Canada's economic growth and trade objectives via policies, programs and infrastructure in support of a market-based framework has demonstrated tangible benefits to Canadians. Canada's transportation system is on the move with improvements to its enabling legislative, regulatory framework, investments in gateways and corridors, support to transportation infrastructure, and partnership projects with external stakeholders.

Transport Canada works with other public and private organizations, academia and non-government organizations to increase the flexibility and performance of the Canadian transportation system and its support of innovation, research and development, technology applications and skills development initiatives.

Lessons Learned

Canada's reliance on trade impacts directly on the nation's prosperity and well-being; and the Government of Canada plays a key leadership role in the development of an integrated transportation network linking importers and exporters to key transportation gateways and corridors. As an exporting nation, Canada needs an integrated and efficient national transportation system that supports and promotes trade, especially for new and emerging markets. Transport Canada helps ensure seamless connections between the modes of transportation, in order to promote a competitive advantage for Canada in transportation relative to other countries.

2.2 Strategic Outcome: A safe and secure transportation system that contributes to Canada's social development and security objectives

Program Activity	Financial Resources ($ thousands)			Human Resources (Full-time Equivalents)		
	Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
Policies, Rulemaking, Monitoring and Outreach in support of a safe and secure transportation system	$641,525	$663,420	$566,177	4,169 FTEs	3,999 FTEs	170 FTEs

2.2.1 Program Activity: Policies, Rulemaking, Monitoring and Outreach in support of a safe and secure transportation system

In an inter-dependent and often insecure world, Transport Canada delivers results towards ensuring a safe and secure transportation system that contributes to Canada's social development and security objectives. A safe and secure system protects people from acts of terrorism, accidents and exposure to dangerous goods, enables the efficient flow of people and goods and protects the environment from pollution. It is an essential element for a healthy population, a high quality of life and a prosperous economy.

The Program Activity linked to this Strategic Outcome covers policies, rule-making, monitoring and enforcement, and outreach in support of a safe and secure transportation system. Across all sectors and modes of transportation, Transport Canada supports a safe and secure transportation system through the development of national legislation, regulations and standards, and monitoring, testing, inspection, enforcement, education and developmental activities to promote safety and security.

Achievements
Transport Canada's achievements under this Program Activity include: Safety and Security Management Systems, Legislative and Regulatory Harmonization, Security and Prosperity Partnership, Collaboration, Air Cargo Security, Passenger Protect Program, Transit-Secure and Marine Security.

Safety and Security Management Systems
In April 2007, the department adopted **Moving Forward – Changing the Safety and Security Culture – A Strategic Direction for Safety and Security Management**, which outlines more than a directional change but a true root and branch transformation that the department is embarking upon. The implementation of SMS/SeMS is a coordinated effort among the aviation, marine and rail safety and security groups. SMS and SeMS will move Transport Canada from an inspection role to a monitoring, auditing and oversight role. For more information on SMS/SeMS, please visit http://www.tc.gc.ca/tcss/StrategicPlan/menu.html.

The following illustrates how Transport Canada is putting SMS/SeMS into practice:

- According to its vision, Transport Canada is aiming to implement SMS in all regulated civil aviation organizations by 2010. Guidance material for large and small operators was published in 2007-2008. For more details, please visit the web site http://www.tc.gc.ca/CivilAviation/SMS/implementation.htm.
- Transport Canada worked with the marine industry to identify opportunities to utilize a Safety Management System philiosophy in the continued enhancement of the marine safety and security regime in Canada. In 2007-2008, Marine Safety initiated the development of a Domestic Safety Management (DSM) program. Under this regime, qualified persons or other organizations can be delegated certain statutory functions currently performed by Transport Canada Marine Safety Inspectors including inspections of ships and issuance of Canadian maritime documents.
- The Railway Safety Management Systems (RSMS) regulations that came into effect on March 31, 2001, require railway companies subject to the Railway Safety Act to implement and maintain safety management systems. Oversight of the implementation of SMS in the rail industry is carried out through the conduct of rail safety audits.

- The department conducted research projects in aviation, marine and rail security. This included a benchmarking exercise to assess the state of readiness of industry to move towards a SeMS approach. Twenty-one project partners were involved in the action research. SeMS education and awareness sessions and information gathering sessions were delivered across all sectors with internal and external stakeholders. The actions taken and progress made in 2007-2008 directly support the department's expected result of "improved commitment by industry to adopt SeMS". Also, the international community has been very engaged in the SeMS project, which ensures that the concept is interoperable with international plans and practices.

Legislative and Regulatory Initiatives

Within this Program Activity, regulatory frameworks are developed and include the use of policies, guidelines, regulations, and standards to promote safety and security for Canadian and travellers in Canada, and for the transportation industry. The following are achievements with respect to legislative initiatives:

- On July 1, 2007, the **Canada Shipping Act, 2001** (CSA 2001) replaced the **Canada Shipping Act** (CSA) as the principal legislation governing safety in marine transportation and recreational boating, as well as protection of the marine environment. Eleven regulations came into effect at the same time as the new Act.
- In December 2006, the Minister of Transport, Infrastructure and Communities announced the review of the **Railway Safety Act** (RSA). In March 2008, the Panel's report, **Stronger Ties: A Shared Commitment to Railway Safety**, was publicly released. The first steps in implementing the more than 50 recommendations to improve rail safety are underway with the creation of a new rail safety consultative body, the Advisory Council on Railway Safety (ACRS). See http://www.tc.gc.ca/tcss/RSA_Review-Examen_LSF/FinalReport/chapter1.htm.

Regulatory Harmonization

Transport Canada, as a major regulatory department, is committed to implementing the Cabinet Directive on Streamlining Regulations. A higher level of regulatory efficiency will be achieved by the adoption and mutual recognition of international standards and the enforcement of regulations of other orders of government.

Transport Canada is working towards harmonization in the following areas:

- To reduce the risk of mid-air collisions between airplanes in Canadian airspace, Canadian commercial aircraft will be equipped with airborne collision avoidance systems that meet U.S. Federal Aviation Administration (FAA) requirements.
- The validity periods of most Canadian aviation medical certificates will meet the validity periods of similar International Civil Aviation Organization documents. This contributes to the harmonization of safety standards for the issuance of licenses and permits for Canadian pilots.

- Transport Canada renewed and updated the Alternative Security Arrangement with the U.S. Coast Guard, adding provisions to harmonize and facilitate small passenger vessel movements. These amendments will reduce risk to Canada's transportation system, increase recognition of Canada's leadership role in marine security, increase ability to provide proactive and responsive programs, further streamline and harmonize international marine security programs, and heighten public confidence in the safety and security of the transportation system.
- A Memorandum of Cooperation was concluded with the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) and work continues to harmonize regulations for motor vehicle safety, promote greater international harmonization of technical requirements, coordinate regulatory research, and develop plans and conduct joint analyses to assist in the development of motor vehicle safety regulations.

Security Prosperity Partnership

Transportation security is a key component of the Security Prosperity Partnership (SPP). In 2007, Transport Canada continued to collaborate effectively with Canadian stakeholders, the United States and Mexico to develop and implement North American transportation security strategies, including aviation security, marine security, emergency preparedness and critical infrastructure protection.

- Progress was achieved on the harmonization of aviation security standards within North America through collaboration with the U.S. and Mexico on an initiative that will identify options for eliminating the re-screening of hold baggage – a key deliverable of the SPP.
- Under the SPP, Transport Canada specification tanks and containers, i.e. highway tanks, were accepted for use as equivalent to American tanks and containers in October 2007 by the U.S. Pipeline and Hazardous Materials Administration. This will create a level playing field for container manufacturers and shippers in both countries and is important for Canadian manufacturers in order to maintain their competitiveness.

Collaboration

Transport Canada is working with the Canadian Standards Association (CSA) to develop a new CSA Standard for the design, manufacture and use in Canada of Portable Tanks based on the latest United Nations (UN) Recommendations on the Transport of Dangerous Goods. This standard will harmonize Canadian requirements for the transportation of dangerous goods in portable tanks with international requirements.

In addition to regulatory harmonization for implementing safety and security objectives, Transport Canada collaborates with many stakeholders in industry, government, the research and development community and key domestic and international partners in the following ways:

- **Securing an Open Society: Canada's National Security Policy** (April 2004) http://www.publicsafety.gc.ca/pol/ns/secpol04-eng.aspx.
- Improving intelligence and security information sharing with various transportation-related industry stakeholders and partners, nationally and regionally.
- Advancing transportation security plans for the 2010 Olympic Games in Vancouver-Whistler.

Air Cargo Security
Transport Canada designed and pilot tested various improvements to air cargo security in relation to both supply chain security and air cargo screening that are consistent with international best practices.

Communication products and information sessions are being developed to address a lower than expected level of stakeholder awareness and voluntary participation in air cargo security pilot projects. For more information regarding air cargo security, visit http://www.tc.gc.ca/vigilance/acs-sfa/aircargosecurity/home/index.shtml.

Passenger Protect Program
In June 2007, Transport Canada implemented the Passenger Protect Program. The program is designed to prevent passengers, who have been assessed to be an immediate threat to aviation security, from boarding aircraft. For more information on the Passenger Protect Program, visit http://www.passengerprotect.gc.ca/.

Transit-Secure
Rail and urban transit security in Canada was enhanced through investment in Transit-Secure, a three-year passenger rail and urban transit security contribution program, targeting high risk commuter rail and urban transit operators to accelerate the implementation of new and security measures. Under this program, 278 projects were approved for funding totaling $77 million.

Marine Security
The security at Canada's ports and marine facilities has been significantly enhanced under the **Marine Security Contribution Program** (MSCP), a $115 million commitment to assist ports and other marine facilities with security enhancements. In 2007, the program received approval to expand participation to include domestic ferries for a two-year period.

Since implementation of the **Marine Transportation Security Clearance Program** (MTSCP) approximately 8,626 transportation security clearances have been processed thereby ensuring the integrity of major Canadian ports and marine facilities.

Transport Canada's investment in marine security through **Marine Security Operations Centres** (MSOCs) promotes greater coordination among partners and provides security, law enforcement and first responder communities with enhanced knowledge of marine threats. MSOCs have been established on the Atlantic and Pacific coasts. In February 2008, the Government of Canada announced $74.5 million over 5 years with $20 million ongoing for the establishment of a permanent MSOC for the Great Lakes and St. Lawrence Seaway.

Performance Measurement
Understanding Transport Canada's performance results in safety and security is determined by a number of factors. For instance, the department's efforts to create a safe and secure transportation system is reflected by the degree to which Canadians perceive the overall safety of passenger transportation. A significant majority of Canadians, 96 per cent, have expressed confidence (moderate to high) that Canada's air transportation system is safe. The same percentage of Canadians (96 per cent) also rate the marine and rail transportation system as moderate to very safe and secure. As for the road transportation system, 92 per cent of the public considers it to be moderately to very safe and secure. The following represents additional safety data which was drawn from the latest Transport Canada Annual Report and are indicators of Transport Canada's impact on the safety and security of the transportation system.

For example in 2007:

- There were 7.1 per cent more aviation accidents (255) than in 2006 (238). The 2007 accident rate (preliminary data) was 5.8 per cent per 100,000 hours flown, which is almost identical to the 2006 rate of 5.7 but below the 2002-2006 five-year average of 6.2. There were 42 air fatalities in 2007 compared with 47 in 2006.
- There were 3.5 per cent fewer reported rail accidents (1,330) than in 2006 (1,378). There were also fewer rail fatalities, 86 compared with 94 in 2006.
- A record low was set for the fourth consecutive year in the number of Canadian vessel shipping accidents aboard ship (392). This figure represented a 9.4 per cent reduction from the 2002-2006 average.
- The latest available statistics for road casualty collisions (2006) show little change from 2005 (–2.2 per cent), while the number of fatalities decreased 0.4 per cent and injuries dropped 2.5 per cent.

Further information on the state of transportation in Canada may be found at http://www.tc.gc.ca/pol/en/report/anre2007/3_safety_security.html.

Benefits to Canadians

Working towards a safe and secure transportation system has demonstrated tangible benefits to Canadians. The overwhelming majority of Canadians have full confidence in their transportation system. This is a bench strength that drives future economic prosperity for Canada and its citizens. Canadians benefit further from the fact that safety is an integral component of all project submissions supported by the department.

Lessons Learned

One of the lessons learned by measuring the performance of this Program Activity is that safety and security are interdependent and intrinsic to other Strategic Outcomes and Program Activities. For example, safety is an integral component of all transportation infrastructure projects. Safety audits identify hazards within the existing transportation system or within potential construction. Given the interconnectedness of the transportation network, construction within Canada is designed to ensure safety of not just the project under consideration, but how it allieviates points of concern within the surrounding system.

As Transport Canada continues to promote awareness, engage the public and stakeholders, and grow its leadership capacity in the areas of safety and security management systems, this in turn influences our ability to provide proactive and responsive programs and mitigate risks to the transportation system. We are building capacity with our partners to deliver and action new safety and security regimes with a view to increasing, not merely maintaining, the safety and security of the travelling public and goods that move between modes of transportation. This is part of a larger cultural change which can only be realized over the long term.

2.3 Strategic Outcome: An environmentally responsible transportation system that contributes to Canada's sustainable development objectives

Program Activity	Financial Resources ($ thousands)			Human Resources (Full-time Equivalents)		
	Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
Policies and Programs in support of sustainable development	$125,013	$242,318	$145,529	278	287	9 FTEs

2.3.1 Program Activity: Policies and Programs in support of sustainable development

Transport Canada's third Stategic Outcome is an environmentally responsible transportation system that contrubtes to Canada's sustainable development objectives.

Under this Program Activity, the department is developing and implementing programs and policies to protect the natural environment and to achieve a more sustainable transportation system in Canada.

This Program Activity aims to enhance the use of sustainable transportation infrastucture in communities; improve fuel efficiency and reduce emissions of air pollutants and greenhouse gases from the movement of goods; and improve fuel efficiency and reduce emissions from the personal vehicle fleet.

Achievements
Achievements under this category include Regulations, Voluntary Agreements, EcoTRANSPORT Strategy, EcoMOBILITY, EcoTECHNOLOGY, EcoAUTO, EcoFREIGHT, and National Aerial Surveillance Program.

Regulations
The Government has committed to regulating fuel efficiency for new cars and light trucks that will be sold in Canada beginning with model-year 2011 vehicles. The Government announced, under a Notice of Intent, that it would regulate fuel efficiency under the **Motor Vehicle Fuel Consumption Standards Act**. The Government of Canada signed a Memorandum of Cooperation with the United States on April 26, 2007 to share information on fuel efficiency. Informal consultations on the development of the regulations were conducted throughout 2007 and formal consultations were conducted between January 17, 2008 and March 15, 2008.

The department will also ensure that international emissions standards, to be developed by the international organizations mandated to address emissions from the marine transportation and aviation sectors, are considered domestically. In the marine sector, the Government is adopting current international standards established by the International Maritime Organization (IMO) for controlling emissions of air pollutants from ships. In 2007-2008, Transport Canada commenced the drafting of regulations under the **Canada Shipping Act, 2001** and is participating in the work of the IMO on greenhouse gases.

The Government is also supporting the development of international standards and recommended practices with the International Civil Aviation Organization (ICAO) concerning the emissions from aviation sources. In 2007-2008, Transport Canada participated in a newly created Group on International Aviation and Climate Change within ICAO.

Voluntary Agreements
Transport Canada is working with transportation associations on voluntary agreements and MOUs to further promote emissions reductions in transportation.

For example, a voluntary MOU was signed in May 2007 with the Railway Association of Canada, (RAC) to address emissions of criteria air contaminants (CAC) and greenhouse gases from railway locomotives operated by Canadian railway companies in Canada. The first annual report under the MOU is available at: http://www.tc.gc.ca/programs/environment/ecofreight/voluntaryagreementsrail-eng.htm.

Programs
Transport Canada plays a lead role in climate change and clean air mitigations as they relate to transportation. Under the **ecoTRANSPORT Strategy**, the department will provide over $100 million in funding towards new initiatives in clean transportation.

The $10 million **ecoMOBILITY Program** works with municipalities to help cut urban-passenger transportation emissions by encouraging commuters to choose public transit or other sustainable transportation options. This initiative will help develop programs, services and products that improve sustainable transportation options, such as transit, carpools, cycling and walking, in urban areas. For more information, see http://www.tc.gc.ca/programs/environment/ecomobility/menu-eng.htm.

The **ecoTECHNOLOGY for Vehicles (eTV)** Program tests and promotes advanced environmentally friendly vehicle technologies, while building partnerships with the automotive industry to address potential barriers to the introduction of new technologies in Canada. The program aims to accelerate the introduction of advanced vehicle technologies that reduce greenhouse gas emissions, pollutants and fuel consumption into the Canadian fleet of light-duty vehicles. The program showcased vehicles and technologies at events across the country providing over 20,500 Canadians with information on advanced environmental technology for vehicles. For further program information, visit: http://www.tc.gc.ca/eTV.

The **ecoAUTO Rebate Program** encourages Canadians to buy or enter into a long-term lease (12 months or more) for new fuel efficient vehicles by offering rebates ranging from $1,000 to $2,000 toward the purchase or lease of more fuel efficient vehicles that meet the required criteria. See http://www.tc.gc.ca/programs/environment/ecotransport/ecoauto.htm, for more information.

The **ecoFREIGHT Program** is aimed at reducing the environmental and health effects of freight transportation through accelerated adoption of emissions-reducing technology. There was strong demand for the **Freight Technology Incentives Program** and the **Freight Technology Demonstration Fund** from all modes and regions. For more information on these initiatives, visit http://www.ecoaction.gc.ca/ecofreight.

Aerial Surveillance
Transport Canada helps to protect the marine environment and the health of Canadians by reducing the pollution of water from marine transportation sources. The National Aerial Surveillance Program (NASP) is the primary tool for detecting ship-source pollution in waters under Canadian jurisdiction. The number of patrol hours has increased by 97 per cent from 1,307 hours in 2003-2004 to 2,578 hours in 2007-2008. Two of the three pollution patrol aircraft were modernized with state of the art surveillance equipment, which has resulted in a more efficient detection, investigation and evidence gathering capability. Further information on this and other Health of the Oceans Initiatives at Transport Canada is found at http://www.tc.gc.ca/mediaroom/releases/nat/2007/07-h185e.htm - bg.

Performance Measurement
Measuring progress towards a sustainable transportation system includes tracking trends in key areas, such as the level of greenhouse gas emissions of the transportation sector and the level of air pollutants produced by the transportation sector, among others. With respect to GHG emissions trends, transportation is the second largest source of greenhouse gas emissions in Canada representing 26 per cent of total GHG emissions. Of the total transportation emissions in 2006, on-road passenger emissions accounted for 46 per cent and on-road freight emissions accounted for 24 per cent.

GHG emissions from on-road passenger vehicles increased by roughly 17.6 megatonnes (Mt) or 25 per cent between 1990 and 2006, while emissions from on-road frieght vehicles increased by 17.2 Mt or 60 per cent during the same period. In comparison, between 1990 and 2006, domestic aviation and marine emissions increased by 2.0 Mt and 0.8 Mt respectively (31 per cent and 16 per cent respectively) while rail emissions have declined by about 1 Mt or 14 per cent.

While GHG emissions from the transportation sector continue generally to increase, air pollution emissions, such as fine particulate matter, sulphur oxides, nitrogen oxides and volatile organic compounds, have shown a steady decline due to regulatory initiatives and stock turnover.

Further data are available in the Transportation in Canada 2007 annual report available at http://www.tc.gc.ca/pol/en/report/anre2007/4_environment.html.

Benefits to Canadians
The work in this Program Activity has focused on developing and implementing programs and policies to protect the natural environment and create a more sustainable transportation system in Canada. As a result, Canadians will benefit from a transportation system that is less intensive in its emission of GHGs and air pollutants and one that is protected from discharges of transportation pollutants.

Lessons Learned

In order to better measure the benefits to Canadians of Transport Canada's programs, the department has developed a clear articulation of expected results, how these will be achieved and how they will contribute to reducing air pollutant and GHG emissions. The results stemming from these programs will be measured through indicators such as the numbers and types of technologies that are purchased or installed throughout the system and the number of organizations engaged in emission-reducing activities.

A stronger measurement approach provides greater accuracy in the monitoring of sustainable transportation initiatives funded by the department's programs and the extent to which they increase the uptake of energy efficient technologies and best practices in the transportation sector.

This approach will also facilitate a more transparent, accurate and timely reporting of the program's results in the context of Canada's Clean Air Agenda.

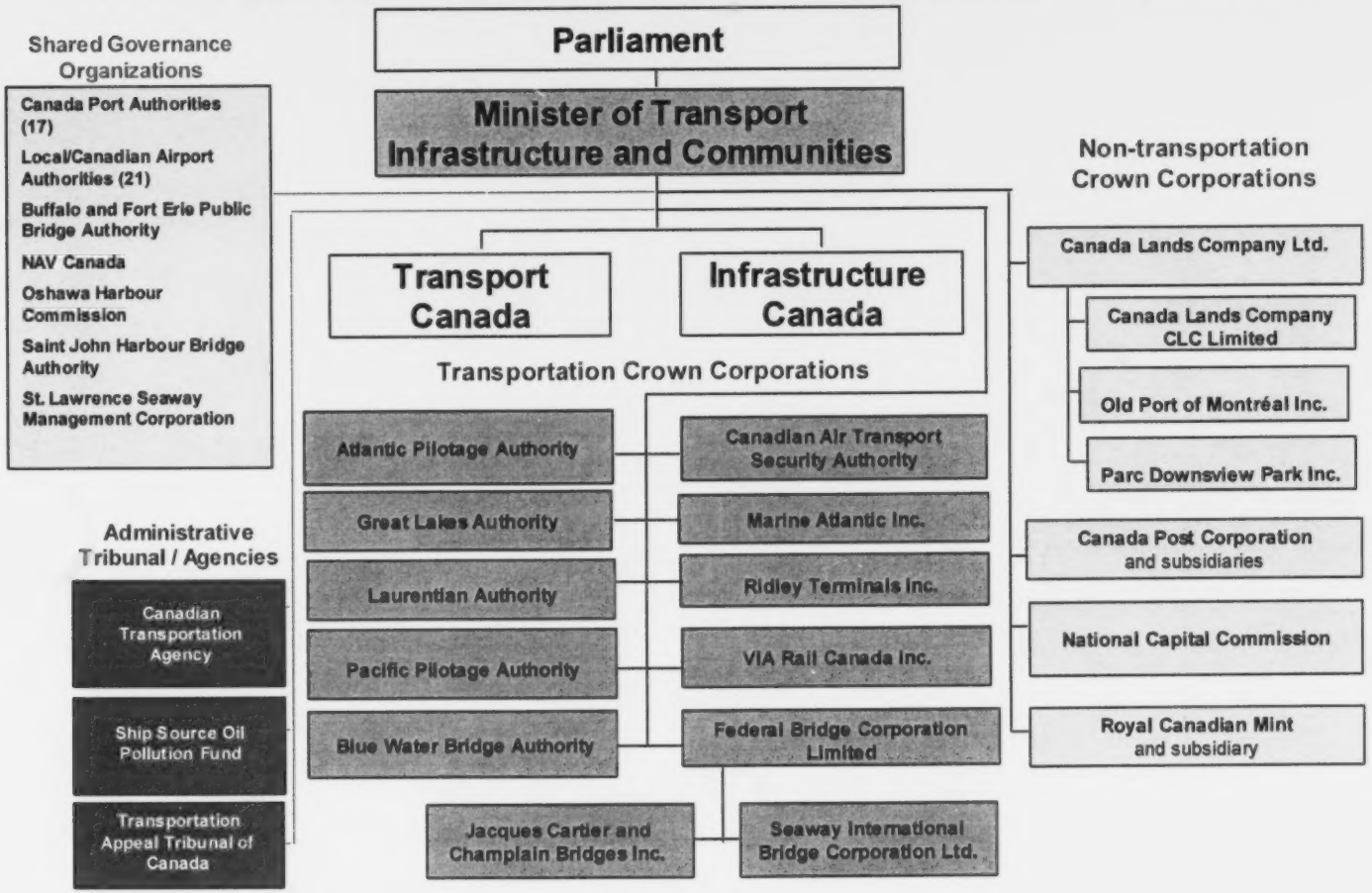
A lesson learned in defining a measurement approach is the importance of collecting adequate data across all transportation modes to support measurement methodologies.

SECTION III – SUPPLEMENTARY INFORMATION

3.1 Organizational Information

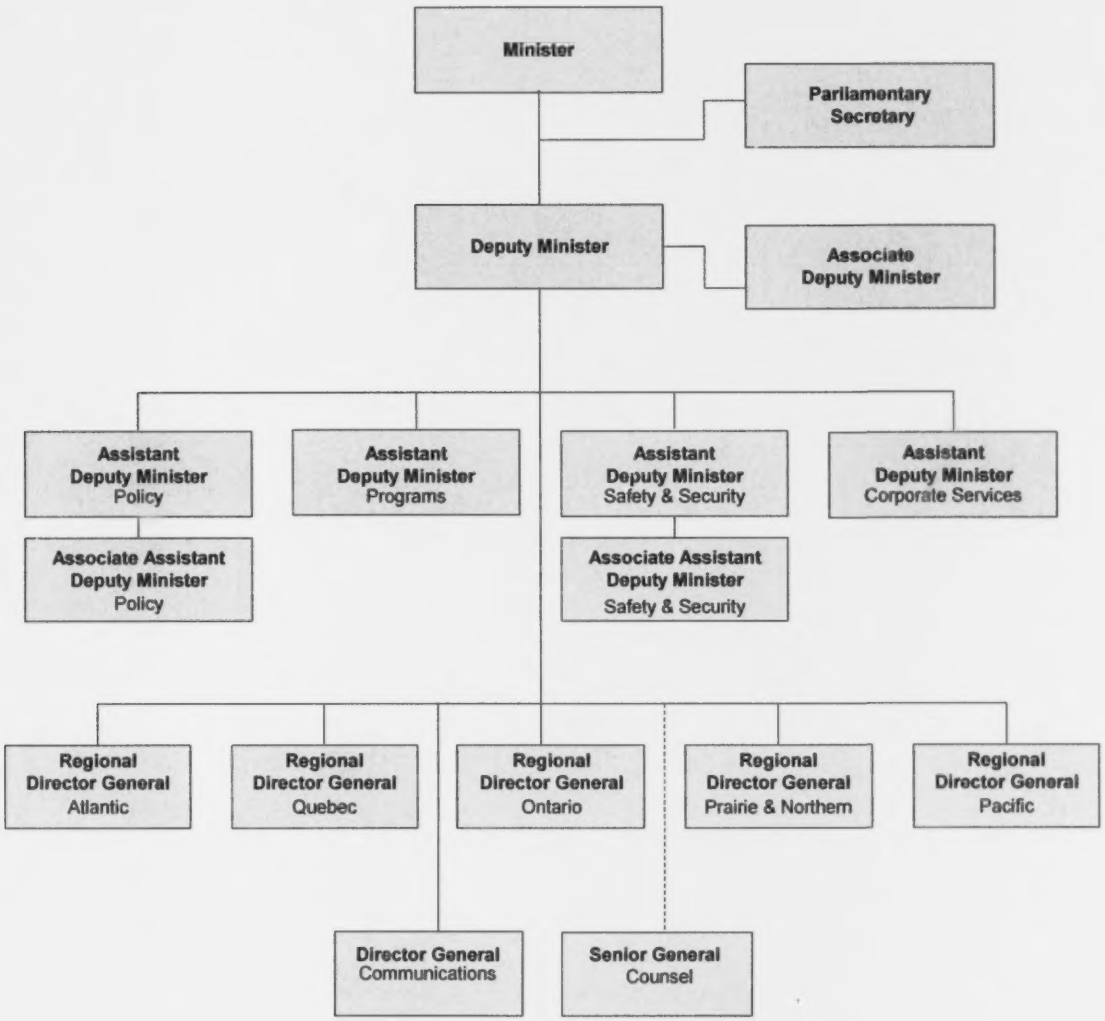
Since the Portfolio was established in February 2006, steps have been taken to maximize synergies and increase coordination of activities. Since August 2006, Transport Canada and Infrastructure Canada have been managed by a single Deputy Minister. A joint committee of the two departments was established to design the Government of Canada's Building Canada Plan. A number of similar joint planning initiatives were also introduced to facilitate the integration of the various components of the Portfolio.

TRANSPORT INFRASTRUCTURE AND COMMUNITIES PORTFOLIO



3.2 Departmental Organization Chart

At Transport Canada headquarters, an Associate Deputy Minister and six Assistant Deputy Ministers – Policy (2), Programs, Corporate Services, Safety and Security (2) – report to the Deputy Minister, in addition to Corporate Management, comprised of the Communications Group and Departmental General Counsel (functional reporting). Five Regional Directors General – Atlantic, Quebec, Ontario, Prairie and Northern, and Pacific – also report directly to the Deputy Minister. Each of these organizational heads is accountable for the management of his/her organization and for the delivery of results associated with the Program Activities as set out in the Program Activity Architecture.



3.3 Financial Tables

3.3.1 Table 1: Comparison of Planned to Actual Spending (including FTEs)

($ thousands)						
Program Activity	**2005-2006 Actual**	**2006-2007 Actual**	**2007–2008**			
			Main Estimates	**Planned Spending**	**Total Authorities**	**Actual**
Policies, Rulemaking, Monitoring and Outreach in support of a safe and secure transportation system	485,906	499,315	632,856	641,525	663,420	566,177
Policies, Programs and Infrastructure in support of a market-based framework	333,826	145,797	101,192	101,459	198,063	123,998
Policies and Programs in support of sustainable development	55,144	56,615	124,979	125,013	242,318	145,529
Canadian Air Transport Security Authority [1]	428,766	441,068	-	-	-	-
Bridge Corporation Limited [1]	31,288	32,307	-	-	-	-
Marine Atlantic Inc. [1]	70,233	82,080	-	-	-	-
VIA Rail Canada Inc. [1]	169,001	169,001	-	-	-	-
Total	**1,574,165**	**1,426,183**	**859,027**	**867,997**	**1,103,801**	**835,704**
Less: Non-respendable revenue	(76,128)	(137,287)	(33,186)	(33,186)	(142,589)	(142,589)
Plus: Cost of services received without charge	59,718	68,531	-	59,668	64,401	64,401
Total Departmental Spending	**1,557,755**	**1,357,427**	**825,841**	**894,479**	**1,025,613**	**757,516**
Full-time Equivalents	**4,873**	**4,854**	**5,090**	**5,090**	**5,090**	**5,043**

Due to rounding, columns may not add to total shown.

1. Crown Corporations were moved outside of Transport Canada's Program Activity Architecture to stand as separate entities within the Ministry. This explains, in large part, the year over year decline in actual spending.

2. The decreased net spending from 2006-2007 to 2007-2008 ($590 million) is due to: an increase in operating expenditures ($39.5 million), an increase in capital spending ($1.4 million), an increase in transfer payments ($86.2 million) and a decrease in vote-netted revenues ($6.8 million).

3.3.2 Table 2: Voted and Statutory Items

Vote or Statutory Item	Truncated Vote or Statutory Wording	2007-08 ($ thousands)			
		Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating expenditures	318,413	325,083	359,523	304,312
5	Capital expenditures	73,260	73,260	82,833	72,695
10	Grants and Contributions	313,145	315,445	514,663	316,324
(S)	Minister of Transport Canada – Salary and motor car allowance	75	75	74	74
(S)	Contributions to employee benefit plans	68,658	68,658	65,928	65,928
(S)	Payments to Canadian National Railway Company in respect of the termination of the collection of tolls on the Victoria Bridge, Montreal and for the rehabilitation work on the roadway portion of the Bridge	3,300	3,300	2,505	2,505
(S)	Payments in respect of the St. Lawrence Seaway agreements	26,900	26,900	18,931	18,931
(S)	Northumberland Strait Crossing subsidy payment	55,276	55,276	54,897	54,897
(S)	Spending of proceeds from the disposal of surplus Crown assets	-	-	4,409	-
(S)	Refunds of amounts credited to revenues in previous years	-	-	38	38
	Total	**859,027**	**867,997**	**1,103,801**	**835,704**

Due to rounding, columns may not add to total shown.
(S): Statutory

3.3.3 Table 16: Financial Statements of Transport Canada

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2008

TRANSPORT CANADA

STATEMENT OF MANAGEMENT RESPONSIBILITY

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2008 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the Public Accounts of Canada and included in the department's Departmental Performance Report is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the Financial Administration Act, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the department have not been audited.

Louis Ranger,
Deputy Minister
Ottawa, Canada

August 8th, 2008

André Morency,
Chief Financial Officer
Ottawa, Canada

August 8th, 2008

TRANSPORT CANADA

Statement of Operations (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2008	2007 *(restated)*
Expenses (Note 5)		
Infrastructure	568,632	649,489
Safe and secure transportation	627,154	621,649
Sustainable development	163,825	99,983
Ship-Source Oil Pollution Fund and other programs (Note 16)	1,814	1,152
Total expenses	1,361,425	1,372,273
Revenues (Note 6)		
Infrastructure	369,152	376,649
Safe and secure transportation	68,534	66,327
Sustainable development	1,185	744
Ship-Source Oil Pollution Fund and other programs (Note 16)	14,511	14,108
Total revenues	453,382	457,828
Net cost of operations	**908,043**	**914,445**

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA

Statement of Financial Position (*Unaudited*)
At March 31
(*in thousands of dollars*)

	2008	2007 *(restated)*
Assets		
Financial assets		
Accounts receivable and advances (Note 7)	41,344	33,683
Loans receivable (Note 8)	11,915	11,316
Rent receivable (Note 9)	56,752	64,073
Investments (Note 10)	52,792	52,792
Total financial assets	162,803	161,864
Non-financial assets		
Prepaid expenses	1,500	1,419
Inventory	58,392	53,854
Tangible capital assets (Note 11)	2,953,669	3,087,333
Total non-financial assets	3,013,561	3,142,606
Total	**3,176,364**	**3,304,470**
Liabilities and Equity of Canada		
Liabilities		
Accounts payable and accrued liabilities (Note 12)	996,441	650,810
Vacation pay and compensatory leave	25,854	29,372
Deferred revenue	3,923	3,664
Employee severance benefits (Note 13)	81,653	79,432
Lease obligation for tangible capital assets (Note 14)	653,829	668,565
Environmental and contingent liabilities (Note 15)	204,877	227,227
Total liabilities	1,966,577	1,659,070
Equity of Canada (Note 16)	1,209,787	1,645,400
Total	**3,176,364**	**3,304,470**

Contingent liabilities (Note 15)
Contractual obligations (Note 17)

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA

Statement of Equity of Canada (*Unaudited*)
At March 31
(*in thousands of dollars*)

	2008	2007 *(restated)*
Equity of Canada, beginning of year	1,645,400	1,792,872
Net cost of operations	(908,043)	(914,445)
Current year appropriations used (Note 4)	835,705	701,655
Revenues not available for spending	(74,440)	(66,369)
Refund of previous year's expenditures	(1,896)	(425)
Change in net position of the Consolidated Revenue Fund (Note 4)	(351,339)	63,581
Services received without charge from other government departments (Note 18)	64,400	68,531
Equity of Canada, end of year	**1,209,787**	**1,645,400**

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA

Statement of Cash Flow (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2008	2007 *(restated)*
Operating activities		
Net cost of operations	908,043	914,445
Non-cash items		
Amortization of tangible capital assets	(169,822)	(182,113)
Services received without charge	(64,400)	(68,531)
Loss on disposal and write-down of tangible capital assets	(20,032)	(72,023)
Allowance for environmental and contingent liabilities	22,349	(49,326)
Prior years' work-in-progress expensed	(15,086)	(3,630)
Employee severance benefits	(2,221)	(5,717)
Other	-	12,377
Variations in Statement of Financial Position		
Increase (decrease) in financial assets	939	35,669
Increase (decrease) in inventory and prepaid expenses	4,619	(3,356)
Increase (decrease) in other liabilities	(342,371)	8,774
Cash used by operating activities	**322,018**	**586,569**
Capital investment activities		
Principal repayment of tangible capital leases	14,736	14,095
Acquisitions of tangible capital assets	95,319	113,727
Transfer of tangible capital assets with no monetary impact	(19,945)	(8,747)
Proceeds from disposal of tangible capital assets	(4,098)	(7,202)
Cash used by capital investment activities	**86,012**	**111,873**
Financing activities		
Net cash provided by Government of Canada	**(408,030)**	**(698,442)**

The accompanying notes form an integral part of these financial statements.

TRANSPORT CANADA

Note to the Financial Statements (*Unaudited*)
March 31, 2008

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1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport, Infrastructure and Communities.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental programs:

- Infrastructure: Contributes to Canada's international competitiveness, productivity, and overall quality of life in urban, rural or remote areas through strategic investments in areas that directly support federal priorities, improving governance of transportation infrastructure providers, divestiture of federal assets to parties that are better placed to manage them, continued support to federally-dependent facilities and landlord of substantial land assets.
- Safe and secure transportation: Promotes the safety of Canada's transportation system consisting of the air, marine, rail, and road modes of transportation through policy development, rule-making, monitoring and enforcement and outreach activities to ensure the protection of people from accidents and exposure to dangerous goods, enable the efficient flow of people and goods, and protect the environment from pollution.
- Sustainable development: Develops and implements programs and policies in support of sustainable development to protect the natural environment and to achieve a more sustainable transportation system in Canada.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including the *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Canada Shipping Act*, *Navigable Waters Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act* and *Marine Transportation Security Act*.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – Transport Canada is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 4 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government – Transport Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

2. Summary of significant accounting policies (cont'd)

(d) Revenues:

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- Revenues that have been received but not yet earned are recorded as deferred revenues.

(e) Expenses – These are recorded when the underlying transaction or expense occurred subject to the following:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants, which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, worker's compensation, and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The department's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligation to the plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the plan.
- Severance benefits: Employees are entitled to severance benefits, as provided for under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables from external parties are stated at amounts expected to be ultimately realized; a provision is made for external receivables where recovery is considered uncertain.

(h) Loans receivable are recorded at cost. They are written down to their net present value to reflect concessionary terms using market rates at the time of the loans. Loan discounts are amortized over the term of the loans. A provision is made for loans where recovery is considered uncertain.

(i) Investments in Crown corporations are recorded at cost. If there is a permanent impairment in value, an allowance is recorded to reduce the carrying value of the investment to a nominal amount.

2. Summary of significant accounting policies (cont'd)

(j) Contingent liabilities – Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(k) Environmental liabilities – Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when the department becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

(l) Inventories – Inventories consist of spare parts, material, supplies and publications held by the Department. Inventories, other than serialized inventory items or rotable parts, are valued at average cost. Serialized inventory items and rotable parts are valued on a specific cost basis. A serialized inventory item is consumable inventory, which has a serial number and is required to be tracked for airworthiness purposes. A rotable part is a part that is not fully consumed during use and where part or all of the economic value is restored through refurbishment after use. Rotable parts are returned to stock for future consumption after refurbishment. Inventories with no further service potential are valued at the lower of cost or net realizable value.

(m) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31, 2008. Losses resulting from foreign currency transactions are included in miscellaneous expenses on the statement of operations.

(n) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

2. Summary of significant accounting policies (cont'd)

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset type	Amortization period
Confederation Bridge	100 years
Buildings and works:	
Buildings	20 to 40 years
Works and Infrastructure	10 to 40 years
Machinery and equipment:	
Machinery and equipment	5 to 20 years
Informatics hardware	3 to 5 years
Informatics software	3 years
Vehicles:	
Ships and boats	10 to 20 years
Aircraft	6 to 20 years
Motor vehicles	6 to 35 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Work-in-progress	Once in service, in accordance with asset type
Leased tangible capital assets	According to the useful life of the asset if a bargain purchase offer exists or over the term of the lease

(o) Measurement uncertainty – The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Correction of error

In 2007-2008, Transport Canada identified tangible capital assets not recorded that had been donated to them. Consequently, the comparative financial statements presented for the year ended March 31, 2007 have been restated. The effect of this adjustment is presented below:

(in thousands of dollars)

2006-2007	As previously stated	Effect of the adjustment	Restated amount
Statement of Financial Position			
Tangible capital assets	3,063,410	23,923	3,087,333
Statement of Operations			
Infrastructure revenues	352,726	23,923	376,649
Statement of Equity of Canada			
Equity of Canada, end of year	1,621,477	23,923	1,645,400
Statement of Cash Flow			
Net cost of operations	938,368	(23,923)	914,445
Acquisitions of tangible assets	89,804	23,923	113,727

4. Parliamentary appropriations

Transport Canada receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used

	2008	2007
	(in thousands of dollars)	
Net cost of operations	**908,043**	**914,445**
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(169,822)	(182,113)
Services provided without charge	(64,400)	(68,531)
Revenues not available for spending	74,440	66,369
Allowance for environmental and contingent liabilities	22,349	(49,326)
Loss on disposals and write-downs of tangible capital assets	(20,032)	(72,023)
Prior years' asset under construction expensed	(15,086)	(3,630)
Variation in vacation pay and compensatory leave	3,518	(1,776)
Employee severance benefits	(2,221)	(5,717)
Justice Canada legal fees	-	(6,455)
Refunds of previous years' expenditures	1,896	425
Other	-	12,377
	738,685	604,045
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Variation in prepaid expenses	81	(265)
Variation in inventory	4,538	(3,091)
Acquisitions of tangible capital assets	95,319	113,727
Transfer of tangible capital assets with no monetary impact	(19,945)	(8,747)
Repayment of lease obligation for tangible capital assets	14,736	14,095
Other	2,291	(18,109)
	97,020	97,610
Current year appropriations used	**835,705**	**701,655**

4. Parliamentary appropriations (cont'd)

(b) Appropriations provided and used

	2008	2007
	(in thousands of dollars)	
Appropriations provided		
Vote 1 – Operating expenditures	359,523	301,080
Vote 5 – Capital expenditures	82,834	79,124
Vote 10 – Transfer payments	514,664	297,173
Statutory amounts	146,782	146,853
	1,103,803	824,230
Less:		
Appropriations available for future years	(3,040)	(1,369)
Lapsed appropriations: Operating	(265,058)	(121,206)
Current year appropriations used	**835,705**	**701,655**

(c) Reconciliation of net cash provided by Government to current year appropriations used

	2008	2007
	(in thousands of dollars)	
Net cash provided by Government	408,030	698,442
Revenues not available for spending	74,440	66,369
Refunds of previous years' expenditures	1,896	425
	484,366	765,236
Change in net position in the Consolidated Revenue Fund		
Justice Canada legal fees	-	(6,455)
Variation in financial assets	(939)	(35,669)
Variation in liabilities	345,889	(10,550)
Proceeds of disposal – Capital assets	4,098	7,202
Other adjustments	2,291	(18,109)
	351,339	**(63,581)**
Current year appropriations used	**835,705**	**701,655**

5. Expenses

The following table presents details of expenses by category:

	2008	2007
	(in thousands of dollars)	
Other levels of governments within Canada	149,242	165,452
Individuals	67,947	741
Industry	66,646	46,282
Non-profit organizations	45,110	38,183
Other countries and international organizations	182	130
Total transfer payments	329,127	250,788
Salaries and employee benefits	487,983	486,951
Amortization of tangible capital assets	169,822	182,113
Professional and special services	136,384	192,938
Equipment repair and maintenance	59,954	36,362
Interest on lease obligation for tangible capital assets	40,659	40,161
Travel and relocation	36,328	35,932
Accommodation	25,699	25,560
Net loss on disposal of tangible capital assets	20,032	60,315
Utilities, materials and supplies	18,285	19,808
Telecommunications	7,638	7,470
Information services – communications	7,060	9,244
Payments in lieu of property taxes	6,907	6,958
Rentals	5,956	5,227
Miscellaneous	4,096	6,283
Postage	3,490	3,584
Pollution control	1,814	1,152
Damage and other claims against the Crown	191	1,427
Total operating expenses	1,032,298	1,121,485
Total expenses	**1,361,425**	**1,372,273**

6. Revenues

The following table presents details of revenues by category:

	2008	2007 *(restated)*
	(in thousands of dollars)	
Sales of goods and services:		
Airport rent	287,805	295,181
Rentals and concessions	42,770	26,788
Monitoring and enforcement revenues	40,391	36,010
Aircraft maintenance and flying services	34,548	34,369
Transport facilities user fees	14,165	14,155
Miscellaneous	17,942	35,078
Pollution control revenues	14,511	14,108
Interest	642	642
Research and development	608	1,497
Total revenues	**453,382**	**457,828**

7. Accounts receivable and advances

The following table presents details of accounts receivable and advances:

	2008	2007
	(in thousands of dollars)	
Accounts receivable from other government departments	17,358	17,602
Accounts receivable from external parties	27,057	25,440
Advances to employees	304	335
	44,719	43,377
Less: Allowance for doubtful accounts on external accounts receivable	(3,375)	(9,694)
Total accounts receivable and advances	**41,344**	**33,683**

8. Loans receivable

	2008	2007
	(in thousands of dollars)	
Saint. John Harbour Bridge Authority	22,647	22,647
Canadian Airport Authorities	24,330	24,330
Victoria Harbour	2,408	2,451
St. Lawrence Seaway Management Corporation	168	168
	49,553	49,596
Less:		
Valuation allowance	(20,604)	(20,604)
Discounts on loans	(17,034)	(17,676)
Total Loans	**11,915**	**11,316**

(i) Saint. John Harbour Bridge Authority

The loan receivable from the Saint. John Harbour Bridge Authority consists of consolidated non-interest bearing advances made in connection with the financing, construction and operation of a toll bridge across the harbour of Saint. John, New Brunswick. Additional non-interest bearing advances may be made in years when the operating and financing costs of the toll bridge exceeds its revenues. When the revenue for the year exceeds the operating and financing costs, the Saint. John Harbour Bridge Authority will remit the excess funds to Transport Canada on an annual basis to repay the debt. A discount of $13,478,000 has been recorded to reflect the concessionary nature of the loan.

(ii) Canadian Airport Authorities.

Loans totalling $24,330,000 to Canadian Airport Authorities relate to the transfer of chattels and consumable stock to individual authorities upon transfer of the management, operation and maintenance responsibilities to the authority under the National Airports Policy. The loans receivable portfolio consists of 13 non-interest bearing loans to Canadian Airport Authorities issued in the years from 1997 to 2003, with prescribed annual repayment terms. The loans are recorded at their discounted net present values using market interest rates at the time of the loans. On May 9, 2005 the Government of Canada announced it would adopt a new rent relief policy for federally owned airports and in addition to the rent reductions, the government announced it would forgive outstanding chattel payments. As a result, an allowance of $20,604,000 for the full amount of the chattel loans was recorded.

(iii) Victoria Harbour

The Victoria Harbour long-term receivable relates to the sale of a parcel of Victoria Harbour land for $2,578,469. The receivable has prescribed annual repayment terms and is recorded at its discounted net present value of $1,423,000 using the market interest rate at the time of sale. A payment of $42,720 was received in fiscal year 2007-08 ($85,440 in 2006-07).

8. Loans receivable (cont'd)

(iv) St-Lawrence Seaway Management Corporation

The St-Lawrence Seaway Management Corporation loan portfolio account was established by subsection 80(1) of the *Canada Marine Act*. The loan portfolio is managed in accordance with an agreement between Transport Canada and the St-Lawrence Seaway Management Corporation. The loan has prescribed monthly repayment terms with an annual interest rate of 7 per cent. The loan is secured by title on the property and partial discharge on the individual lots may be granted in the amount of $6,000. To date, three of the four loans have made full discharge. The mortgagor is in negotiations with Transport Canada and Justice Canada with respect to the remaining loan, which was repayable March 2004.

9. Rent receivable

The National Airport System (NAS) consists of Canadian airports considered essential to air transportation in Canada, including 3 airports owned by Territorial Governments. Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities (21) and a municipal government (1).

In fiscal year 2003-04, Transport Canada entered into lease amendments with nine of the Canadian Airport Authorities, which provided for deferral of a portion of the airport rent payable by the Airport Authorities to Transport Canada for the 2003 to 2005 lease years. The total rent deferred for 2003 to 2005 is payable to Transport Canada over ten years beginning in the 2006 lease year. Repayments of $7,321,000 were received in fiscal year 2007-08 ($6,855,000 in 2006-07). Rent receivable was $56,752,000 at March 31, 2008 ($64,073,000 at March 31, 2007).

10. Investments

	2008	2007
	(in thousands of dollars)	
Royal Canadian Mint	40,000	40,000
Via Rail Canada Inc.	9,300	9,300
Parc Downsview Park Inc.	2,492	2,492
Ridley Terminals Inc.	1,000	1,000
Total Investments	**52,792**	**52,792**

(i) Royal Canadian Mint

As a result of Government restructuring in 2006-07, the Royal Canadian Mint was transferred from the Canada Revenue Agency to Transport Canada. The investment of $40,000,000 is divided into 4,000 shares of $10,000 each.

(ii) Via Rail Canada Inc

In fiscal year 1979-80, a non-budgetary authority was granted to Transport Canada to purchase common shares of Via Rail Canada Inc. to be valued at $100 per share for a total value of $9,300,000.

10. Investments (cont'd)

(iii) Parc Downsview Park Inc

Investment in Parc Downsview Park Inc. for the purpose of allowing the completion of the transfer of lands from the department of National Defence to Parc Downsview Park Inc.

(iv) Ridley Terminals Inc

On November 1, 2000, the shares of Ridley Terminals Inc. owned by Canada Ports Corporation were transferred to the Crown under the administration of Transport Canada at $90,000,000. Due to concerns regarding the viability of Ridley Terminals Inc., for prior years, the investment in Ridley Terminals Inc has been written-down by $89,000,000 for a nominal value of $1,000,000 in Transport Canada's financial statements.

TRANSPORT CANADA

Note to the Financial Statements (*Unaudited*)
March 31, 2008

11. Tangible capital assets (in thousands of dollars)

	Cost					Accumulated Amortization				2008 Net book value	2007 Net book Value *(restated)*
	Opening balance *(restated)*	Acquisitions	Transfer	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance		
Land [1]	221,923	22,945	-	20,005	224,863	-	-	-	-	224,863	221,923
Buildings and works [2]	3,877,886	127	30,310	40,452	3,867,871	2,171,782	116,643	24,482	2,263,943	1,603,928	1,706,104
Machinery and equipment [3]	180,180	921	13,138	5,815	188,424	112,800	20,209	5,724	127,285	61,139	67,380
Vehicles	784,904	7,157	22,547	25,967	788,641	559,782	23,377	19,703	563,456	225,185	225,122
Leasehold improvements	14,166	633	473	-	15,272	6,680	1,405	-	8,085	7,187	7,486
Assets under construction	121,015	63,536	(66,468)	16,831	101,252	-	-	-	-	101,252	121,015
Confederation Bridge	818,820	-	-	-	818,820	80,517	8,188	-	88,705	730,115	738,303
TOTAL	**6,018,894**	**95,319**	**-**	**109,070**	**6,005,143**	**2,931,561**	**169,822**	**49,909**	**3,051,474**	**2,953,669**	**3,087,333**

Amortization expense for the year ended March 31, 2008 is $169,822 (2007 – $182,113).

(1) Includes land for 23 National Airports with a net book value of $158,658 (2007 – $131,743).

(2) Includes building and works for 23 National Airports with a net book value of $847,383 (2007 – $941,913).

(3) Includes machinery and equipment for 23 National Airports with a net book value of $783 (2007 – $294).

11. Tangible capital assets (cont'd)

(a) National Airport System assets

The National Airport System (NAS) assets recorded above consist of the land, buildings, works and infrastructures of 23 Canadian airports.

Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities (21) and a municipal government (1). These agreements are in accordance with the federal *National Airports Policy, the Public Accountability Principles for Canadian Airport Authorities and the Fundamental Principles for the Creation and Operations of Canadian Airport Authorities*, which, in part, entails the transfer of the management, operations and maintenance of certain airports in Canada to Canadian Airport Authorities.

Transport Canada has the right to terminate the operating agreements and assume the responsibility for the management, operation and maintenance of the airport if the leased airports are not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

12. Accounts payable and accrued liabilities

	2008	2007
	(in thousands of dollars)	
Payables to third parties	803,640	523,294
Payables to other government departments	159,338	60,231
Accrued salaries	18,765	17,200
Other	14,698	50,085
Total accounts payable and accrued liabilities	**996,441**	**650,810**

13. Employee Benefits

(a) Pension benefits: The department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the plan. The 2007-08 expense amounts to $59,750,000 ($57,385,000 in 2006-07), which represents approximately 2.1 times (2.2 times in 2006-07) the contributions by employees.

The department's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

13. Employee Benefits (cont'd)

(b) Employee severance benefits: The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2008	2007
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	79,432	73,716
Expense for the year	9,323	13,080
Benefits paid during the year	(7,102)	(7,364)
Accrued benefit obligation, end of year	**81,653**	**79,432**

14. Lease obligations for tangible capital assets

Under the *Northumberland Strait Crossing Act*, the Government of Canada entered into a long-term capital lease arrangement in 1992 and is obligated to pay an annual subsidy of $41,900,000 to the Strait Crossing Finance Inc., a wholly owned corporation of the Province of New Brunswick, for the construction of the Confederation Bridge. The annual payments made by Transport Canada are due on April 1 and will be used to retire $661,000,000 of 4.5 per cent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. Annual payments made by Transport Canada began in 1997 and will continue until 2033. At such time, the ownership of the bridge will be transferred to the Government of Canada.

On April 1, 2007, an annual payment in the amount of $54,897,000 (2007 – $54,265,000) was made. This payment represents payment of principal in the amount of $14,736,000 (2007 – $14,095,000) and interest expense of $40,161,000 (2007 – $40,170,000).

The department has recorded a capital lease obligation of $653,829,000 as of March 31, 2008 ($668,565,000 at March 31, 2007), based on the present value for the future subsidy payments using an interest rate of 6.06% (2007 – 6.06%).

14. Lease obligations for tangible capital assets (cont'd)

Future minimum annual lease payments are as follows:

Maturing year	*(in thousands of dollars)*
2008-2009	56,066
2009-2010	54,158
2010-2011	54,977
2011-2012	55,807
2012-2013 and thereafter	1,323,929
Total future minimum lease payments	1,544,937
Less: imputed interest (6.06%)	891,108
Balance of obligations under leased tangible capital assets	**653,829**

15. Contingent liabilities

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where Transport Canada is obligated or likely to be obligated to incur such costs. The department has identified approximately 616 sites (568 sites in 2007) where such action is possible and for which a liability of $204,327,000 ($186,815,000 in 2007) has been recorded. The department has estimated additional clean-up costs of $145,328,000 ($139,108,000 in 2007) that are not accrued, as these are not considered likely to be incurred at this time. Transport Canada's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the department in the year in which they become known.

(b) Claims and litigation

Claims have been made against Transport Canada in the normal course of operations. Legal proceedings for claims totaling approximately $213,664,000 were still pending at March 31, 2008. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. An amount of $550,000 has been recorded in the financial statements as of March 31, 2008 ($40,412,000 in 2007).

Transport Canada is named as a defendant in a claim for $55,258,000 filed by the Mohawks of Akwesasne. The action was first initiated in 1976 for unlawful expropriation and breach of fiduciary duty regarding the expropriation of land in the 1950's for the construction of the St Lawrence Seaway and of the Seaway International Bridge. The outcome of this claim is not determinable at this time. No accrual for this contingency has been made in the financial statements.

16. Restricted equity of Canada

The department includes in its revenues and expenses certain transactions that legislation requires be earmarked for expenses relating to specified purposes. The department has two such accounts:

(a) The Ship-Source Oil Pollution Fund

The Ship-Source Oil Pollution Fund (Fund) was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the fund administrator, and related oil pollution control expenses, are financed out of the Fund.

	2008	2007
	(in thousands of dollars)	
Restricted Ship-source Oil Pollution:		
Opening balance	363,783	350,843
Revenues for the year	14,463	14,092
Expenses for the year	(1,814)	(1,152)
Closing balance	**376,432**	**363,783**

(b) Fines for transport of dangerous goods

The Fines for Transport of Dangerous Goods account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

	2008	2007
	(in thousands of dollars)	
Restricted – Fines for Transport of Dangerous Goods:		
Opening balance	615	599
Revenues	48	16
Expenses	-	-
Closing balance	**663**	**615**
Restricted equity of Canada	**377,095**	**364,398**

17. Contractual obligations

The nature of Transport Canada's activities results in some large multi-year contracts and obligations whereby the department is committed to making future payments when the services are performed and goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13 Thereafter	Total
Transfer payments	180,638	68,602	34,488	30,229	143,441	457,398
Tangible capital assets	17,380	4,000	-	-	-	21,380
Other goods and services	17,985	5,950	4,107	4,047	2,378	34,467
Software maintenance agreements	879	-	-	-	-	879
Operating leases	1,629	836	416	424	143	3,448
Other	763	212	212	212	638	2,037
Total	219,274	79, 600	39,223	34,912	146,600	519,609

18. Related party transactions

Transport Canada is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, Transport Canada received services, which were obtained without charge from other Government departments as presented below.

During the year Transport Canada received without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans, worker's compensation, and legal services. These services without charge have been recognized in the department's Statement of Operations as follows:

	2008	2007
	(in thousands of dollars)	
Accommodation	25,699	25,560
Contributions covering employer's share of employees' insurance premiums	27,561	30,631
Worker's compensation	3,757	3,802
Legal services	7,383	8,538
Total	**64,400**	**68,531**

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the department 's Statement of Operations.

19. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

3.3.4 Electronic Tables

The following tables were submitted electronically. The electronic tables can be found on the Treasury Board Secretariat's website at: http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp.

Table 4: Sources of Re-spendable and Non-Respendable Revenue

Table 6 A: 2007-08 User Fee Reporting – User Fees Act

Table 6 B: 2007-08 External Fee Reporting: Policy on Service Standards for External Fees

Table 9: Details on Transfer Payment Programs (TPPs)

Table 11 A-B: Horizontal Initiatives

Table 12: Sustainable Development Strategy

Table 13: Response to Parliamentary Committees and External Audits

Table 14: Internal Audits and Evaluations

Table 15: Travel Policies

SECTION IV – OTHER ITEMS OF INTEREST

4.1 Management Priorities

In its 2007-2008 Report on Plans and Priorities, the department committed to working on the following management priorities:

- People;
- Values and ethics;
- Governance and Stewardship; and
- Accountability for Crown corporations.

4.1.1 People

Recruitment and Retention

On January 1, 2008, Transport Canada's workforce totaled 5,122 employees[1], made up of 4,917 indeterminate employees (96 per cent) and 205 term over 3 months employees (4 per cent). These numbers translate into a 3.3 per cent increase in overall staff (164 employees) in 2007, in contrast to the small increase (40 employees, or 0.8 per cent) achieved in each of the two previous calendar years.

Employees in the Scientific and Professional Category grew by 29 employees, while there was a slight decrease (-5) of employees in the Technical Category. This was mostly due to retirements of employees in Aircraft Operations (AO) positions outpacing recruitment.

In general, recruitment outpaced separations across the department. The indeterminate attrition rate for the department in 2007 is calculated at 8.4 per cent, up by 0.5 per cent from the previous year.

Visible minority employment grew again in the last year (43 or 9.5 per cent), albeit at a lesser pace than in 2006 (58), and now totals 495 members. The largest gains (24) were in Administrative and Foreign Service positions, causing the representation rate for this employment category (9.7 per cent) to rise above labour market availability. The representation share also increased in the Technical Category (9 members or 0.5 per cent) while remaining static in the Scientific and Professional occupations. Representation rates continue to trail external availability indicators (Census 2001) in these two employment categories. The number of Visible Minorities in the Executive Category remained the same at eight members.

Integrated Human Resources Plan 2008-2011

In 2007-2008, Transport Canada started work on an integrated business planning and reporting process that will be aligned with and directly linked to the Integrated Human Resource Plan. This plan, which was developed and published this year, is the result of Transport Canada's Human Resources planning process, which links human resources management to the department's overall strategic and business plans.

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[1] This figure is different than the number cited in the table in section 1 because of the date of data extraction and the calculation method. The above number includes all Transport Canada employees including those on leave without pay and on secondment in other departments.

It aligns the work, workforce and workplace with business priorities, identifies and responds to key horizontal gaps – some more critical than others – through improvements to current initiatives or new activities. The plan is also aligned with the Corporate Risk Profile, while the Gap Analysis further details the Human and Knowledge Capital Risk.

Embedded in this plan is the Transport Canada Integrated People Management Strategy, which was first introduced in 2005. This strategy is being further developed to respond to the needs and gaps identified in the Integrated Human Resources Plan. It is a comprehensive approach to human resources management designed to address current and future needs identified through gap analysis. This approach demonstrates the interdependence of all human resources management disciplines.

Over the years, Transport Canada has consistently shown its commitment to sound HR management practices and has been a leader in addressing issues such as **diversity, official languages, labour relations and human resources planning**. Transport Canada will continue to do so through new initiatives and actions that are developed in its Integrated People Management Strategy.

Recent Transport Canada planning, recruitment and employee development initiatives support the 2007-2008 Public Service Renewal Action Plan issued by the Clerk and Transport Canada Management Priorities set out in the 2007-2008 Report on Plans and Priorities. Results for each of the four pillars of renewal that enabled Transport Canada to successfully achieve its goals for 2007-2008 include:

Planning

- Developed an Integrated Human Resources Plan and communicated it to all employees;
- Developed succession management process for key Executive positions;
- Approved a three-year Diversity Action Plan (2007-2011); and
- Adopted an accountability framework for Official Languages that defines the roles and responsibilities of the Deputy Minister, Official Languages Champion and other stakeholders.

Recruitment

- Created an Executive Resourcing unit to address specific shortages for Executives and other groups;
- Undertook collective staffing activities both internally (Administrative Services, Clerical and Regulatory, Financial Management, Personnel Administration, Economics, Sociology and Statistics) and externally (Transport Canada-led Economics, Sociology and Statistics recruitment with 14 departments);
- Conducted a recruitment process through the Personnel Administration Development Program to build human resources capacity within Transport Canada;
- Participated in the Canada Public Service Agency's interdepartmental recruitment initiatives for Personnel Administration (4 hires) and Administrative Services compensation advisors (3 hires); and
- Participated in the Career Assignment Program recruitment campaign launched in September 2007 by the Canada Public Service Agency.

Employee Development

- Piloted an innovative language training initiative in the National Capital Region to help employees strengthen their second language skills and position them for bilingual positions;
- Included "People Management" and "Renewal" commitments explicitly in all executive performance accords; and
- Participated in the Public Service renewal suite of leadership development programs: two participants in the Employment Equity Leadership Competency Program, five participants in the Human Resources Community Leadership Development Program, and 15 participants in the Management Trainee Program.

Enabling Infrastructure

- Updated Transport Canada's Human Resources Management System to meet Public Service Modernization Act (PSMA) requirements for compliance and reporting;
- Developed a departmental Learning Management System (LMS) project to support PSMA monitoring and reporting requirements and facilitate tracking learning plan completion rates; and
- Started the development of the Workflow Automation and Tracking System that will facilitate staffing process efficiencies and reporting capacities.

The Plan, together with the Strategy, responds to the first requirement (i.e. planning) of public service renewal. Further implementation of the Plan and Strategy will move Transport Canada towards meeting the other three requirements, namely recruitment, employee development and enabling infrastructure priorities outlined in the Public Service Renewal Action Plan.

Opportunities for Improvement

The Transport Canada Integrated Human Resources Plan identifies four areas of continued focus related to People Management. These further detail the Human and Knowledge Capital Risk identified in the Corporate Risk Profile, which states that there is a risk that Transport Canada will not be able to attract, develop and retain sufficient human resources with the necessary competencies and knowledge to fully and effectively support operations/responsibilities.

The areas of focus are:

- Need for renewal and maintenance of management capacity at the supervisory, middle management, and executive levels;
- Shortage of Human Capital: Employees;
- Shortage of Human Capital: Knowledge and Competencies; and
- Need for strengthening diversity initiatives to become more strategic in attaining level 4 on the Equity Continuum.[2]

The department has already started to address these areas of focus through the Integrated People Management Strategy described above.

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[2] *Integrated Diversity* — The organization is an employer of choice. Organizations with a rating of four are motivated at all levels to achieve a diverse workforce representing the most qualified people. They have also begun to break down barriers that stand in the way of diversity. This is the employer of choice.

In its analysis of the Transport Canada Departmental Staffing Accountability Report, the Public Service Commission also identified an opportunity for improvement on the development and content of staffing/recruitment strategies.

While the department has developed some staffing strategies in certain Groups, Regions, and Directorates, there is currently no departmental approach or guideline for their development and content. Building on the successful launch of the Transport Canada Integrated Human Resources Plan, the department is now better positioned with the Integrated People Management Strategy to consistently develop staffing strategies that will have measurable objectives linked to human resources plans.

4.1.2 Values and Ethics

In 2007-2008, the department established a Values and Ethics Office, strategically positioned in the Human Resources Directorate. This office serves as a centre of expertise for employees and managers in headquarters and the regions for matters related to the **Values and Ethics Code for the Public Service** and to the upcoming **Public Service and departmental Codes of Conduct**.

While still in the early stages of operation, the Values and Ethics Office has already developed a Values and Ethics Framework which will enable the ongoing development and implementation of initiatives.

4.1.3 Governance and Stewardship

Transport Canada's Comprehensive Review of its programs and services was completed in 2007-2008. It was organized as a two-stage exercise designed to strengthen and modernize the department's organizational processes.

In Phase I, the department reviewed Communications, Safety, Management/Corporate Services and Security. Phase II examined a second component of Security, as well as Policy and Programs.

Parallel to this exercise, Transport Canada developed a Corporate Risk Profile en route to department-wide Integrated Risk Management. This supports effective due diligence of operations and good governance of the department.

Results from these initiatives are being used in budget-delegation decisions as evidenced by the adoption of more effective and efficient management systems in such areas as information technology, human resources and finance. Results have been reflected in sector business plans and have initiated work on an integrated business planning and reporting process that will be aligned with and linked directly to internal service plans, such as Human Resources, Information Management/Information Technology, Finance and Communications.

As an outcome, decision-making in terms of allocation of resources to deliver results for Canadians, as defined by the department's strategic outcomes, has been enhanced.

4.1.4 Accountability for Crown Corporations

To satisfy requirements for greater transparency and accountability for Crown corporations, the Minister of Transport, Infrastructure and Communities answers to Parliament on the progress made by sixteen Crown corporations, and a number of shared-governance organizations and special agencies. This year, the Minister and portfolio staff:

- Sent letters of expectation to ten of the sixteen Crown corporation Chairpersons in the Transportation, Infrastructure and Communities Portfolio. Each letter presented the Minister's expectations for the corporation. Feedback was received from some corporations; they were pleased with the initiative and found the letters useful during their strategic planning.
- Based all Chairperson and Chief Executive Officer (CEO) positions and appointments on competency profiles and public processes. Transport Canada started developing profiles of existing board competencies and identifying gaps to assist in searching for director candidates.
- Remained answerable before Parliament for the activities of the Crown corporations under his purview, while maintaining an appropriate arms-length relationship. The Minister also ensured that activities were conducted in line with corporation mandates and Government objectives.
- Had departmental officials work with Crown corporation representatives to facilitate the approval of key documents or initiatives that required the Government's attention.
- Encouraged the Crown corporations of the Transport, Infrastructure and Communities Portfolio to increase their transparency and openness. In 2007-2008, the National Capital Commission voluntarily opened its board meetings to the public (except for meetings on sensitive issues, such as human resources or commercial information) and will create standing committees to provide venues for the public to express its views regarding the NCC's projects and initiatives. In 2007-2008, Parc Downsview Park started posting the minutes of its board meetings on its website.
- Increased public awareness with a pilot website on Transport Canada's website to advertise Board vacancies. This pilot was used to recruit candidates for appointments to NAV Canada and the Transportation Appeal Tribunal of Canada.
- Increased the department's reporting capacity for appointments in the Portfolio. For example, reports were adapted to accommodate advance notice of appointments, as well as notice of non-re-appointment.
- Tabled Bill C-14, **An Act to Amend the Canada Post Corporation Act** on October 29, 2007, to modify the exclusive privilege of the Canada Post Corporation to permit letter exporters to collect letters in Canada for transmittal and delivery outside Canada. The purpose of the legislation is to allow more competitiveness in the outbound international mail market in Canada.
- Monitored Canada Post Corporation's compliance with two directives issued by the Government in December 2006, one on rural mail delivery and the other on the Publications Assistance Program.

4.2 Key Links for More Information

4.2.1 Efficient Transportation System

Transportation in Canada 2007: http://www.tc.gc.ca/pol/en/Report/anre2007/index.html.

Addendum to the annual Report:
http://www.tc.gc.ca/pol/en/report/anre2007/9_addendum.html.

APGCI: http://www.tc.gc.ca/CanadasGateways/APGCI/projects.html.

National Policy Framework for Strategic Gateways and Trade Corridors:
http://www.tc.gc.ca/GatewayConnects/NationalPolicyFramework/nationalpolicy.html.

Continental Gateways: http://www.continentalgateway.ca/index2.html.

Atlantic Gateways:
http://www.tc.gc.ca/GatewayConnects/Atlantic/AtlanticGateway.html.

Border Crossing Windsor-Detroit Corridor:
http://www.continentalgateway.ca/windsor.html.

Intelligent Transportation Systems: http://www.its-sti.gc.ca/en/menu.htm.

The Full Cost Investigation on Transportation in Canada:
http://www.tc.gc.ca/pol/EN/aca/fci/menu.htm.

Advantage Canada: Building a Strong Economy for Canadians:
http://www.fin.gc.ca/ec2006/plan/pltoce.html.

Building Canada Plan: http://www.buildingcanada-chantierscanada.gc.ca/plandocs/booklet-livret/booklet-livret01-eng.html.

Canada Marine Act: http://laws.justice.gc.ca/en/C-6.7/ .

Canada Shipping Act Canada Shipping Act, 2001 and other safety regime initiatives:
http://www.tc.gc.ca/marinesafety/menu.htm.

Canada Transportation Act: http://laws.justice.gc.ca/en/C-10.4/.

CANUTEC: http://www.tc.gc.ca/canutec/en/menu.htm.

Electronic Collection of Air Transportation Statistics (ECATS):
http://www.tc.gc.ca/pol/en/ecats/menu.htm.

Gateways and Border Crossing Fund: http://www.buildingcanada-chantierscanada.gc.ca/funprog-progfin/target-viser/gbcf-fpepf/gbcf-fpepf-eng.html.

Innovation: http://www.its-sti.gc.ca/en/randd/Innovation-Through-Partnership.htm.

International Bridges and Tunnels Act: http://laws.justice.gc.ca/en/I-17.05/.

International Civil Aviation Organization (ICAO): http://www.icao.int/.

Marine Atlantic Inc: http://www.marine-atlantic.ca/.

National Policy Framework for Strategic Gateways and Trade Corridors:
http://www.tc.gc.ca/GatewayConnects/NationalPolicyFramework/nationalpolicy.html.

Ontario-Quebec Continental Gateway and Trade Corridor:
http://www.continentalgateway.ca/index2.html.

Port Divestiture Program (PDP):
http://www.tc.gc.ca/programs/ports/transferinventory.htm.

Ports Programs: http://www.tc.gc.ca/programs/ports/transferinventory.htm.

Ridley Terminals Inc: http://www.rti.ca/.

Strategic Highway Infrastructure Program:
http://www.tc.gc.ca/policy/acg/acgd/menu.htm.

Surface Infrastructure Programs: http://www.tc.gc.ca/programs/surface/menu.htm.

Transportation Development Centre: http://www.tc.gc.ca/innovation/tdc/menu.htm.

Windsor-Detroit Trade Corridor: http://www.continentalgateway.ca/windsor.html.

4.2.2 Safe and Secure Transportation System

Transportation Safety and Security:
http://www.tc.gc.ca/pol/en/report/anre2007/3_safety_security.html.

Moving Forward: http://www.tc.gc.ca/tcss/StrategicPlan/menu.html.

Safety Management System:
http://www.tc.gc.ca/CivilAviation/SMS/implementation.htm.

Securing an Open Society: Canada's National Security Policy:
http://www.publicsafety.gc.ca/pol/ns/secpol04-eng.aspx.

Transit-Secure: http://www.tc.gc.ca/vigilance/sep/rail/Contribution_Program/menu.htm

Passenger Protect: http://www.passengerprotect.gc.ca/.

Air Cargo Security (ACS) Program: http://www.tc.gc.ca/vigilance/acs-sfa/aircargosecurity/home/index.shtml.

Fatigue Risk Management System for Canadian Aviation:
http://www.tc.gc.ca/civilaviation/SMS/frms/menu.htm.

Airports Capital Assistance Program:
http://www.tc.gc.ca/programs/airports/acap/menu.htm.

Aviation War Risk Liability Program:
http://www.tc.gc.ca/programs/airports/liabilityprogram/menu.htm.

Canadian Air Transport Security Authority: http://www.catsa-acsta.gc.ca/.

Canadian Ballast Water Program:
http://www.tc.gc.ca/marinesafety/oep/environment/ballastwater/outreach.htm.

Marine Security Contribution Program:
http://www.tc.gc.ca/MarineSecurity/ContributionSpecialPrograms/contribution/menu.htm.

National Aerial Surveillance Program: http://www.tc.gc.ca/marinesafety/oep/ers/nasp.htm.

Passenger Protect Program: http://www.passengerprotect.gc.ca/home.html.

Stronger Ties: A Shared Commitment to Railway Safety - Report of the Advisory Panel: http://www.tc.gc.ca/tcss/RSA_Review-Examen_LSF/FinalReport/disclaimer.htm.

Security and Prosperity Partnership: http://www.spp-psp.gc.ca/menu-en.aspx.

Transportation of Dangerous Goods Act 1992: http://laws.justice.gc.ca/en/T-19.01/.

Transportation Security Clearance Program: http://www.tc.gc.ca/Vigilance/sep/tscp/menu.htm.

4.2.3 Environmentally Responsible Transportation System

ecoMOBILITY Program: http://www.tc.gc.ca/programs/environment/ecomobility/menu-eng.htm.

ecoTECHNOLOGY for vehicles: http://www.tc.gc.ca/eTV.

ecoAUTO Rebate Program: http://www.tc.gc.ca/programs/environment/ecotransport/ecoauto.htm.

ecoFREIGHT: http://www.ecoaction.gc.ca/ecofreight.

Voluntary Agreement – Aviation: http://www.tc.gc.ca/programs/environment/ecofreight/voluntaryagreementsair-eng.htm.

Automakers Agreement to Reduce GHG Emissions: http://www.oee.nrcan.gc.ca/transportation/ghg-memorandum/index.cfm?attr=8.

Motor Vehicle Fuel Consumption Standards Act proclaimed: http://www.tc.gc.ca/mediaroom/releases/nat/2007/07-h215e.htm.

Canadian Environmental Assessment Act: http://laws.justice.gc.ca/en/C-15.2/.

Fuel Consumption Program: http://www.tc.gc.ca/programs/Environment/fuelpgm/menu.htm.

Great Lakes St. Lawrence Seaway Study: http://www.glsls-study.com/English Site/home.html.

Moving On Sustainable Transportation: http://www.tc.gc.ca/programs/environment/most/menu.htm.

Partnership for Air Transportation Noise and Emissions Reduction (PARTNER) Center of Excellence: http://web.mit.edu/aeroastro/partner/index.html.

Protection of the Arctic Marine Environment (PAME): http://arcticportal.org/en/pame/.

TC Environmental Assessments: http://www.tc.gc.ca/programs/environment/environmentalassessment/ea.htm.

Turning the Corner: http://www.ec.gc.ca/cleanair-airpur/Turning_the_Corner-WSF3084CB7-1_En.htm.

Urban Transportation Showcase Program: http://www.tc.gc.ca/Programs/Environment/utsp/menu.htm.

4.2.4 General

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